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Vol 3372

ORIGINAL

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IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

-oOo-

FEB 14 1967

DOMINIC PETER GAGLIARDO,
Appellant,
vs.
UNITED STATES OF AMERICA,
Appellee.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA

APPELLANT'S OPENING BRIEF

HARRY E. CLAIBORNE
108 South Third Street
Las Vegas, Nevada

ATTORNEY FOR APPELLANT

FILED

OCT 29 1965

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IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

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DOMINIC PETER GAGLIARDO,)
Appellant,)
vs.)
UNITED STATES OF AMERICA,)
Appellee.)

APPELLANT'S OPENING BRIEF

TO THE CHIEF JUDGE OF THE UNITED STATES COURT OF APPEALS FOR
THE NINTH CIRCUIT, AND TO THE ASSOCIATE JUSTICES THEREOF,
AND TO EACH OF THEM:

JURISDICTIONAL STATEMENT

The appellant was indicted by the Grand Jury of
the United States District Court for the District of Nevada
for violation of Title 18, Section 1464, United States Code
(Tr. of Rec. 2).

After a trial by jury the appellant was found
guilty of the offense of uttering obscene, indecent and pro-
fane language by means of radio communications, regulated by
the Federal Communications Commission, in violation of Sec.
1464, Title 18, United States Code, as charged in the indict-
ment (R. T. 123-124).

The appellant was found by the Court to be 23 years of age at the date of conviction and suitable for handling under the Young Adult Offenders Act (18 U.S.C.A. Sec. 4209) and Judgment and Commitment thereunder was docketed on August 3, 1965 (Tr. of Rec. 9).

Pursuant to Title 28, Section 1291, on August 6, 1965, the appellant appealed to this Honorable Court from the verdict of the jury and the judgment and sentence of the lower court (Tr. of Rec. 10).

The validity of Title 18, Section 1464, United States Code, for violation of which the appellant was indicted, was challenged in the lower court by motion to dismiss the indictment (Tr. of Rec. 3) as being unconstitutional and violative of the Tenth Amendment of the United States Constitution as an attempted exercise by the Congress of police power reserved to the State of Nevada and not enacted under any express or implied authority in the United States Constitution.

This statute was enacted on June 25, 1948, being c. 645, 62 Stat. 769. It provides:

"Whoever utters any obscene, indecent, or profane language by means of radio communication shall be fined not more than \$10,000 or imprisoned not more than two years, or both."

STATEMENT OF THE CASE

The proceedings in this case raise the following questions:

1. Does Title 18, Section 1464, United States Code, violate the Tenth Amendment of the Constitution of the United States as an attempted exercise of police power reserved to the State of Nevada and not enacted under any express or implied authority in the United States Constitution?

2. Can Title 18, Section 1464, United States Code constitutionally be applied to a case in which there is no proof of interstate communication?

3. Did the trial court commit error in charging the jury as to the definition of what constitutes an obscene word or words?

4. Did the trial court err in failing and refusing to charge the jury as to the definition of what constitutes indecent language?

5. Did the trial judge commit a prejudicial error in privately communicating with and instructing the foreman of the jury?

6. Did the trial judge err in failure to ascertain the necessity of further instructions when the jury requested a dictionary.

7. Did the trial judge's private instruction to the jury erroneously remove from the jury the question of

whether or not the acts of the appellant were committed with criminal intent?

8. Was the appellant entitled to a Judgment of Acquittal?

Summary of Proceedings

On May 6, 1965, appellant was indicted by the Grand Jury for the United States District Court for the District of Nevada for violation of Title 18, Section 1464, United States Code it being charged: "That during the month of April, 1965, in Clark County, State and District of Nevada, DOMINIC PETER GAGLIARDO, defendant herein, did utter obscene, indecent, and profane language by means of radio communications over the citizens' band radio network, regulated by the Federal Communications Commission." (Tr. of Rec. 2)

On June 17, 1965, appellant moved to dismiss the indictment on the ground that "Title 18, Section 1464, United States Code, is unconstitutional and violative of the Tenth Amendment of the United States Constitution in that Title 18, Section 1464, United States Code, is an attempted exercise by the Congress of police power reserved to the State of Nevada and was not enacted under any express or implied authority in the United States Constitution, and such enactment is wholly void." (Tr. of Rec. 3) The trial court denied the motion for dismissal (R. T. 3). Later, the trial court instructed the jury that the Government did not have to prove that the radio waves transmitted by defendant traveled out of the State of

Nevada or were heard by people outside of the State of Nevada (Tr. of Rec. 117.)

The case was tried to a jury on June 17, 1965, (R. T. 3-125). At the conclusion of the Government's case the appellant moved for judgment of acquittal upon the grounds, first, "that there is no proof that this conversation was used by any radio network engaged in interstate commerce, or in communicating voice across a state line so as to constitute interstate commerce," and second, that none of the language attributed to the appellant by the Government's witnesses constituted a violation of Title 18, Section 1464, United States Code. (R. T. 67-70) The trial court denied the motion for judgment of acquittal (R. T. 70). Motion of judgment of acquittal was renewed before the case was submitted to the jury and denied (R. T. 122).

Appellant requested the following instruction on the definition of indecent and obscene language:

"You are instructed that in this case that in order for the language allegedly used by the defendant to be indecent and obscene it must be calculated to excite the animal passions and corrupt and debauch the mind. A communication may be vulgar, abusive, insulting and calculated to arouse angry passions and resentments, but it is not indecent and obscene unless it is calculated to arouse sexual passions and desires."

(Defendant's proposed instruction No. 2,
Tr. of Rec. 7)

The trial court gave the following instruction
to the jury defining obscene language:

"An obscene word or words is defined by
the Supreme Court of the United States as
follows:

"If to the average person ap-
plying contemporary community standards,
the word, or words, have to do with
purient, the lewd or the lascivious."

(R. T. 117)

The appellant objected and excepted to the refusal
of the trial court to give the Defendant's Proposed Instruction
No. 2 (R. T. 121) and objected and excepted to instruction
given by the court on the definition of obscene language (R. T.
121) on the following ground:

". . . My ground for objecting to the in-
struction given by the Court on obscene language
is that the instruction, as I interpret it, is
the mail fraud instruction and has to do with the
rule in determining what printed matter is ob-
scene or is not obscene, and I don't believe is
an accurate instruction as to the definition of
obscene language as spoken." (R. T. 122)

After the case was submitted to the jury, the

foreman of the jury transmitted two inquiries to the trial judge. The inquiries and copies of the responses made by the judge were filed in the court record and are reproduced at pages 15 and 16 of the Transcript of Record herein.

In the first communication, R. W. Shepherd (Jury Foreman, R. T. 124) inquired: "May we have a dictionary" (Tr. of Rec. 15). On this note appears the notation: "No -" subscribed: "Roger D. Foley." A typewritten copy of the following was also filed in the Court file:

"I'm sorry but you cannot have a dictionary. You must rely entirely upon the instructions of the Court in considering the evidence in the case.

Roger D. Foley
U.S.District Judge

COPY

1.st" (Tr. of Rec. 15)

It should be borne in mind concerning the request for the dictionary, that the appellant challenged the correctness of the definition of obscene language used by the court; that the instruction given by the court did not define the word "indecent," and that the instruction requested by the appellant did define the word "indecent".

The second communication inquired:

"ARE WE TO DETERMINE THE INTENTION
OF THE USE OF PROFANE AND/OR OBSCENE
LANGUAGE OR JUST THE USE OF THE WORDS
OVER A CITIZEN BAND RADIO?"

and was also subscribed "R. W. Shepherd." (Tr. of Rec. 16)

The record shows that the following response was
made to the inquiry:

"6-17-65 Memo from Judge Foley Jr. to
Jury in case # 1156

You are to only concern yourself with
whether the Defendant used Obscene,
Indecent or Profane language over the
radio.

You are not to concern yourself with
the reasons or motive for such use.

"Judge Roger D. Foley

JDF/jms

(initialled J.M.S.)

2nd" (Tr. of Rec. 16)

Concerning the inquiry regarding the responsibility
of the jury to determine the "intention of the use of profane
and/or obscene language," it should be noted that the matter
of criminal intent was covered in the original charge to the
jury, as follows:

"In every crime, there must exist a union, or joint operation of act and intent. The burden is always upon the prosecution to prove both act and intent beyond a reasonable doubt. With respect to major crimes, such as charged in this case, specific intent must be proved before there can be a conviction. A person who knowingly does an act which the law forbids, intending with bad purpose to disobey or disregard the law, may be found to act with specific intent.

"An act is done knowingly if done voluntarily and intentionally and not because of mistake, accident or other innocent reason."

(R. T. 115-116)

The communication made in the trial judges's second response to the jury necessarily obviated the effect of this charge.

The entire proceedings concerning the communication of these inquiries and the responses of the trial judge thereto were conducted without any notice whatever to the appellant or his attorney, who were not present when the inquiries were received or when they were answered, and the first time that they had any knowledge whatever as to the inquiries and responses having been made was on or about August 25, 1965, when examination was made of the official court record in

connection with perfecting the record on this appeal (all as set forth in Appellant's Exhibit No. 1, the affidavit of Harry E. Claiborne, attorney for the defendant and appellant, which is attached hereto, incorporated herein by reference and made a part hereof.) Upon discovery of the same, such inquiries and responses were called for inclusion in the record on appeal herein by supplemental designation.

(Tr. of Rec. 13)

The jury returned a verdict finding the appellant guilty as charged in the indictment. (R. T. 123-124).

At the sentencing, the Court found that the appellant was 23 years of age at the date of conviction and suitable for handling as a young adult offender (R. T., Sentence, 5) and appellant was adjudged guilty and sentenced to commitment under the Young Adult Offenders Act (18 U.S.C.A. Sec. 4209) (Tr. of Rec. 9).

Summary of Evidence

Use of Language

The testimony unfolds a story of a 23 year old man of so limited an education that he could not even read (R. T. 81), and who had a speech impediment (R. T. 72). He obtained certain radio equipment and a citizens' band radio license (R. T. 71). He operated the equipment as a hobby, but his hopes for an enjoyable experience did not materialize. He was not personally acquainted with other citizen band

operators, and had no common ground on which to talk with them. (R. T. 84-85) At the time he began his operationsthe channels in use were overloaded, he was an enthusiastic user and anxious to make contacts and friends and was on the air more than many of the operators. Squabbling resulted as to whose turn it was to talk. (R.T. 84-85) Incidents occurred when other operators made fun of the defendant. When he would come on the air and inquire, "How am I coming in?" as many as half a dozen of the operators would respond at once mimicing the defendant's voice. (R. T. 85-86) Most of the conversa-tions the defendant had were with his wife and they would just try as best they could to proceed. (R. T. 86)

Mr. Larry Sartain was another citizens' band operator. (R. T. 31) At the beginning, a friendly relation-ship existed between the defendant and Sartain; the defendant had visited at Sartain's house (R. T. 32) and Sartain had given him some parts (R. T. 75). Sartain was engaged in selling and servicing fire equipment and had formerly been a police officer of the Las Vegas Police Department for five years (R. T. 36).

The testimony is in conflict as to the deteriora-tion of the friendship. The defendant testified that an in-cident occurred about the middle of April, 1965, when he was talking to one Bill Empey in Henderson, Nevada, and had trouble with his radio set. He told Mr. Empey he would clear off the air, which he did, and then he went back on the air. (R. T. 72)

He didn't think he was getting out on the air and he called his call letters and asked if anybody was there. (R. T. 72) He still didn't get a reply, so he tried once more. Then his set gave a funny hum and he switched over to a different channel. "Sartain come on and asked me what was the big idea of me talking over them and I told him I was having trouble with my set. I didn't mean to. I was sorry about it, you know. He says, 'You are nothing but a young punk,' and got real smart with me, you know, so I was just talking with him for a minute and I just cut it off. He said, 'I'd like to pin your ears back,' and all this stuff." (R. T. 72-73)

The defendant testified that following that exchange he got off the air and went to work. (R. T. 73) A "kid named Rick" called the defendant and told him that he was supposed to meet Sartain somewhere. (R. T. 73) The defendant turned on his car radio equipment and Sartain came on the set. Sartain asked the defendant "how come I wasn't out at the airport to meet him and I asked him what for and he says, 'Come on out here,' he says, 'I will pin your ears back, I will put you in the place where you belong, you young punk.' I didn't want to argue, I just listened to him. He was telling everybody I didn't show up, I was chicken. I never called him no names." (R. T. 73-74) The defendant testified that the only thing off-color that he said to Mr. Sartain was when Mr. Sartain told him to stay off the air the defendant told him, "You go to hell." (R. T. 74)

The defendant testified to a further incident with Larry Sartain (R. T. 75-77) which occurred at an automobile agency in Las Vegas after the quarrel had occurred between them on the air. At that time Larry Sartain came up to the defendant's car "like a mad man and told me I was nothing but a punk, he wanted to fight. He says, 'If your father wasn't here, I would stomp you right in the ground.'" (R. T. 76)

The defendant's father wanted to know what it was all about and Sartain "told my father I was on the air and everything and my father told him I was at work, and I talked to him and told him, you know, I told him if (it) had been me, I wanted to apologize. I don't know what for because I didn't do nothing, so I apologized, okay, me and you are friends and everything. He is standing there talking to me and he starts getting real wise with me again and says 'I can have you arrested right now, see that policeman passing by on the motorcycle, I can have him put you in jail.' I said, 'Go ahead,' and I just walked away from him. My father was talking to him. Then he left and that is all I heard about it. Then, about three days later, I got picked up at my house on this warrant." (R. T. 76)

Immediately after this incident the defendant's father took his radio sets, which were worth about \$400.00 and sold them for \$75.00 (R. T. 86).

The defendant described incidents in which other operators had come on the air 'horsing around' and identifying themselves by the defendant's call letters (R. T. 74-75). He also described an incident in which Larry Sartain had told another

operator named "Donna" that the defendant was passing her home and using his car microphone to cause a loud squeal on her radio set, which the defendant had not done (R. T. 77-78).

The witness Sartain testified that he had talked to the defendant numerous times over the radio and had seen him personally on three occasions--twice at Sartain's home and once in a supply house in Las Vegas. (R. T. 32) He testified that on April 8 about 8:30 or 8:45 P.M. he heard an argument on his home radio equipment and turned the set up and heard the defendant's call letters. (R. T. 33) He heard the defendant say "Goddamnit" and then say to whoever he was talking to, 'If you ever go to a masquerade party, you would not have to dress up, just go as a prick that you are.'" (R. T. 34) After that the defendant was silent, then Sartain talked by radio to the defendant and after Sartain talked to him the defendant said, 'You people have never liked me,' 'I think you are all a bunch of pricks,' then Sartain got back on the air and talked to the defendant again and after Sartain finished talking the defendant said "Fuck you all." (R. T. 35)

On cross examination the witness Sartain testified that the conversation in which the defendant made the remark about the masquerade party was between the defendant and a third party whose identity was unknown to Sartain. (R. T. 40) He further related that he got on the air and told the defendant to "knock it off" after which the defendant said he would

come to Sartain's house, whereupon Sartain told the defendant, "If you want me, I will meet you at Thunderbird Field." Sartain said he then notified the Sheriff's department and went with two Detectives out to Thunderbird Air Field. (R. T. 41)

Sartain also testified on this cross-examination that he stayed with the Detectives from the Sheriff's department at Thunderbird Field for half an hour during which time Sartain was broadcasting from his car radio and said the following:

"Dominic, I am out here, come on out here, what is wrong with you. If you want to fight me, I am out here, what is wrong with you, are you a coward; why aren't you here?" (R. T. 42-43)

Other citizens' band radio operators testified they heard the quarrel over the radio between the defendant and Sartain (Bryant, R. T. 11-12; Empey, R. T. 23; Prisbrey, R. T. 48; Newman, R. T. 54-56). All of them understood that the things said by the defendant were said in the heat of anger; nearly all of them understood that the comment about the masquerade party was specifically directed to Sartain.

The witness Francis Fuson testified that he was engaged in appliance service and two-way radio sales and service. He was a citizen's band radio operator. He was familiar with the difficulties the defendant had in making contact with other operators interesting in talking back and forth with the defendant (R. T. 85-86), and he described another incident revealing the quarrelsome nature of the witness Sartain:

"* * * one that took place with me the night the

Bonanza Airplane crashed out here * * *

My son was in our fourwheel drive vehicle out with a great many other people trying to locate the plane and I was trying to talk to him and Larry (Sartain) invited me to get off the air. He called me up the next day and apologized for it, which I though was real nice of him, but we locked horns for a few moments.

Q What did he say to you when he told you to get off the air?

A Well, as I recall, he asked me to shut my goddam mouth and get the hell off the channel." (R. T. 88)

The witness James McCalum testified that he purchased the defendant's radio equipment and that about three or four days after the defendant was indicted McCalum heard somebody come on the air using the defendant's call letters. (R. T. 91-92)

Non-Interstate Character of Radio Transmission

The witness Francis Fuson testified that he was engaged in the business of appliance service and two-way radio sales and service (R. T. 82); that the Citizen's Band radio network is a short range, low cost communication service that was established by the FCC in 1958 (R. T. 82) and that the

normal range of a three and a half watt system is ten to twenty-five miles (R. T. 83).

The witness Weldon Empey testified that under normal conditional a three and a half watt system is used to communicate "just in the vicinity" as "the City of Las Vegas and Henderson". (R. T. 29)

There was no testimony whatever that the broadcasts were interstate in character.

SPECIFICATIONS OF ERROR

1. Title 18, Section 1464, United States Code (c. 645, 62 Stat. 769) is unconstitutional and void in that it is an attempted exercise of police power reserved to the States under the Tenth Amendment to the United States Constitution and was not enacted under any express or implied delegation of power under the Constitution of the United States.

2. As to the appellant, Title 18, Section 1464, United States Code (supra), is unconstitutional and void as not charging any offense involving interstate radio transmission or communication.

3.* The trial court erred in failing and refusing to instruct the jury in accordance with Defendant's Proposed Instruction No. 2 (Tr. of Rec. 7).

4.* The trial court erred in instructing the jury that language is obscene if it has "to do with the purient, the lewd and the lascivious." (R. T. 117)

5.* The trial court erred in failing and refusing to instruct the jury as to what constitutes the use of indecent language. (Tr. of Rec. 7)

6.* The lower court erred in failing to inform the appellant and his attorney of the request for a dictionary and in failing to ascertain the need for supplementary instructions.

7.* The lower court erred in privately communicating with and privately instructing the jury.

8.* The supplemental instruction, given privately to the jury, erroneously took the factual question from the jury of whether or not the acts of the appellant were committed with criminal intent.

9. The lower court erred in refusing to grant the appellant's motions for acquittal.

* Explanatory Note: With respect to Specifications of Error Nos. 3, 4 and 5, the text of the proposed instruction submitted by the defendant, the instruction given by the court, and the record of the grounds of defendant's objections and exceptions is contained under the Statement of the Case beginning with the last paragraph on page 5; As to Specifications of Error Nos. 6, 7, and 8, the record of the proceedings is set forth under the Statement of the Case beginning at page 6, on the last line and continuing through page 10.

ARGUMENT

POINT ONE

TITLE 18, SECTION 1464, UNITED STATES CODE, VIOLATES THE TENTH AMENDMENT OF THE CONSTITUTION OF THE UNITED STATES AS AN ATTEMPT TO EXERCISE POLICE POWER NOT BELONGING TO THE CONGRESS BUT RESERVED TO THE STATES

The argument under this point considers these Specifications of Error:

1. Title 18, Section 1464, United States Code (c. 645, 62 Stat. 769) is unconstitutional and void in that it is an attempted exercise of police power reserved to the States under the Tenth Amendment to the United States Constitution and was not enacted under any express or implied delegation of power under the Constitution of the United States.

2. As to the appellant, Title 18, Section 1464, United States Code (supra), is unconstitutional and void as not charging any offense involving interstate radio transmission or communication.

Title 18, Section 1464, United States Code (c 645, Stat. 769) provides as follows:

"Whoever utters any obscene, indecent, or profane language by means of radio communication shall be fined not more than \$10,000 or imprisoned not more than two years, or both."

This statute was enacted June 25, 1948, as part of the federal criminal code. At an earlier time, a prohibition against the use of such language was contained in Section 29 of the Radio Act of 1927 (47 U.S.C.A Section 109) and a penalty for violation of the act was contained in Section 33 of the Radio Act of 1927 (47 U.S.C.A. Section 113). These provisions were before this Honorable Court in the case of

DUNCAN v. UNITED STATES, CA 9th, 1931

48 F.2d 128,

where the defendant was indicted for "knowingly, unlawfully, willfully, and feloniously uttering obscene, indecent, and profane language by means of radio communication and by interstate radio transmission from his radio broadcasting station known as KVEP situated in Portland, within the state and district of Oregon. (48 F.2d 129) (Emphasis supplied) It was alleged in that case that this broadcasting extended beyond the limits of the state of Oregon and reached other states within the United States. In that case it was conceded by the appellant that the Congress had the right to regulate interstate communication by radio, but he contended that the prohibition of the use of obscene language over the radio such interstate commerce was not a regulation of that

commerce, but was a matter which lay solely within the police power of the state. The force of the decision in Duncan is to recognize that the Radio Act of 1927 was a regulation of interstate commerce and that in such regulation Congress may validly exercise police power which in the absence of the delegation of power to Congress under the interstate commerce clause could only be exercised by the states.

These provisions of the Radio Act of 1927 were repealed by the Federal Communications Act of 1934 (Act June 19, 1934, c. 652, Section 602(a), 48 Stat. 1102).

Federal Communications Act of 1934 contained a prohibition against the utterance of obscene, indecent or profane language by means of radio communication (June 19, 1934, c. 652, Section 326, 48 Stat. 1091) which was preceded by the following language:

"Nothing in this chapter shall be understood or construed to give the Commission the power of censorship over the radio communications or signals transmitted by any radio station, and no regulation or condition shall be promulgated or fixed by the Commission which shall interfere with the right of free speech by means of radio communication."

By the Act of June 25, 1948, c. 645, Section 21, Stat. 862, Section 326 of the Federal Communications Act 7 U.S.C.A. Section 326) was amended by deleting the language

prohibiting the utterance of obscene, indecent or profane language by means of radio communication.

The result of these Congressional Acts was to remove the offense of uttering obscene, indecent or profane language from the shelter of an act specifically regulating interstate commerce, and to attempt to make the crime stand alone, without any reference whatever to the regulation of interstate commerce or to the exercise of any other power delegated to the Congress by the United States Constitution.

The only provision remaining in the Federal Communications Act which purports to deal with the use of such language is contained in Title 47, U.S.C.A. Section 303, (m) (1) where it is provided that the Federal Communication Commission shall:

(m) (1) Have authority to suspend the license of any operator upon proof sufficient to satisfy the Commission that the licensee--

* * *

(D) has transmitted superfluous radio communications or signals or communications containing profane or obscene words, language, or meaning,* * *

Thus, in the only place where Congress could appropriately prohibit the use of obscene and profane language and impose a penalty in the exercise of police power, in the regulation of interstate commerce, Congress has provided that in such case the operator's license may be suspended, and has imposed no

criminal sanction whatsoever.

The result of this is that whenever such utterance occurs in interstate commerce, the sole regulation which can be invoked is license suspension. The prohibition of such an utterance, other in interstate commerce, is a matter which lies solely within the police power of the several states.

Moreover, this is an area in which the State of Nevada has exercised its police power:

§193.180, Nevada Revised States, provides:

"193.180 Common law crimes: Fines.

1. All offenses recognized by the common law as crimes, and not enumerated in NRS, shall be punished:

(a) In cases of felonies, by imprisonment in the state prison for a term not less than 1 year nor more than 5 years.

(b) In cases of misdeameanors, by imprisonment in the county jail for a term not exceeding 6 months nor less than 1 month, or by fine not exceeding \$500, or both.

2. Whenever any fine is imposed for any felony or misdeameanor, whether such be by statute or at common law, the party upon whom the fine is imposed shall be committed to the county jail, when not sentenced to the state prison, until the fine is paid; and he shall be imprisoned at the

rate of 1 day for each \$2 until such fine is paid."

In the case of

WINTERS v. PEOPLE OF STATE OF NEW YORK,

333 U.S. 507, 92 L.Ed. 840, 68 S.Ct. 665,

it was recognized that acts of gross and open indecency or obscenity, injurious to public morals, were indictable at common law, citing 1 Bishop, Criminal Law, 9th Ed., Section 500; Wharton, Criminal Law, 12th Ed., Section 16.

Section 266.350, Paragraph 5, Nevada Revised Statutes authorizes the city governments of Nevada:

"To provide for the punishment of persons disturbing the peace and good order of the city or any lawful assembly, by clamor or noise or by intoxication, fighting or using obscene or profane language, or otherwise violating the public peace by indecent or disorderly conduct, or by lewd or lascivious behavior."

In the exercise of this power, the City Code Las Vegas in Sections 6-1-18, 6-1-32 and 6-1-28 punishes as misdemeanors, respectively: Immodest, Improper or Indecent behavior; Singing Lewd or Obscene Songs; and Profane or obscene Language.

The constitutional principles which must govern



the determination under this point are simple and direct:

(1) The federal government does not have general police power, and the authority of Congress to enact penal statutes must be found in the United States Constitution. This is the holding of the following cases:

BARBIER v. CONNOLLY, 1884, 113 U.S. 27,

28 L.Ed. 923, 5 S.Ct. 357;

LINDER v. UNITED STATES, 1925, 268 U.S. 5,

45 S.Ct. 446, 69 L.Ed. 819, 39 A.L.R. 229

AMERICAN FEDERATION OF LABOR v. WATSON, D.C.,

Fla., 1945, 60 F.Supp. 1010;

UNITED STATES v. RENKIN, D.C., S.Caro., 1944,

55 F.Supp. 1; and

UNITED STATES v. ERAMDJIAN, D.C., Cal., 1957,

155 F.Supp. 914.

2) In the absence of constitutional authority, a federal penal statute which purports to define a crime and establish penalty for its commission, is void as an unlawful attempt to exercise police power reserved to the several States under the Tenth Amendment of the United States Constitution, as was held in the following cases:

HAMMER v. DAGENHART, 1918, 247 U.S. 251, 38 S.Ct.

529, 62 L.Ed. 1101, 3 A.L.R. 649, Ann.Cas.

1918E, 724;

KELLER v. UNITED STATES; ULLMAN v. UNITED STATES,

1909, 213 U.S. 138, 29 S.Ct. 470, 53 L.Ed. 737;

Ex Parte LAIR, D.C., Kan., 1910, 177 F. 788;

O'KELLEY v. UNITED STATES, CA 8th, 1941,

116 F.2d 966.

Under these governing principles, Title 18.

Section 1464, United States Code, under which appellant was indicted and convicted, is unconstitutional and void.

The constitutional question was raised in the lower court by a motion to dismiss the indictment (Tr. of Rec. 3-6) which was erroneously denied by the lower court (R. T. 3).

The lower court also erred in refusing to grant the appellant's motion for judgment of acquittal at the conclusion of the Government's case (R. T. 67-70) which was renewed before the case was submitted to the jury (R. T. 122) on the ground that there was no proof the conversation was used by any radio network engaged in interstate commerce, or in communicating voice across a state line so as to constitute interstate commerce.

POINT TWO

THE TRIAL COURT REFUSED TO INSTRUCT THE JURY ON APPELLANT'S THEORY OF THE CASE AND REFUSED TO CHARGE THE JURY AS TO THE CORRECT TEST AS TO WHAT CONSTITUTES THE USE OF OBSCENE AND INDECENT LANGUAGE WITHIN THE MEANING OF THE LAW.

This point considers the following Specifications of Error:

3. The trial court erred in failing and refusing to instruct the jury in accordance with Defendant's Proposed Instruction No. 2 (Tr. of Rec.

4. The trial court erred in instructing the jury that language is obscene if it has "to do with the purient, the lewd and the lascivious." (R. T. 1

5. The trial court erred in failing and refusing to instruct the jury as to what constitutes the use of indecent language.

The appellant requested the trial court to give the following instruction to the jury:

"You are instructed that in this case that in order for the language allegedly used by the defendant to be indecent and obscene it must be calculated to excite the animal passions and corrupt and debauch the mind. A communication may

be vulgar, abusive, insulting and calculated to arouse angry passions and resentments, but it is not indecent and obscene unless it is calculated to arouse sexual passions and desires." (Tr. of Rec. 7)

The trial court rejected this instruction and gave the following as its only instruction on the subject:

"An obscene word or words is defined by the Supreme Court of the United States as follows:

"If to the average person applying contemporary community standards, the word, or words, have to do with the purient, the lewd or the lascivious."

(R. T. 117)

The appellant's proposed instruction was adapted from the opinion of this Court in the case of:

DUNCAN v. UNITED STATES, CA 9th, 1931,
48 F.2d 128.

That case held that the test in determining whether the language of a radio broadcast is obscene or indecent is whether it would arouse lewd or lascivious thoughts in the minds of the hearers, and that although the language used may be abusive and objectionable, it is not indecent or obscene unless it excites libidinous thoughts in the minds of the hearers. The Court approved and noted the following expressions of the test:

"In construing the word 'obscene,' as used

therein, it has been uniformly held that, if the matter complained of were of such a nature as would tend to corrupt the morals of those whose minds are open to such influences by arousing or implanting in such minds lewd or lascivious thoughts or desires, it is within the prohibition of the statute, and that whether or not it had such tendency was a question for the jury. MAGON v. UNITED STATES, 248 F. 201, 203.

"The communication in the instant case is vulgar, abusive, insulting, and one calculated to arouse angry passions and resentment, but not sexual passions or desires." UNITED STATES v. DAVIDSON, 244 F. 523, 529.

"It seems to me that the statute under consideration was intended to prohibit dissemination by the mails of printed or written matter or pictorial productions calculated to excite the animal passions, and to corrupt and debauch the mind, and not such as are merely coarse, vulgar, or indecent in the popular sense of those terms." UNITED STATES v. MALES, 51 F. 41, 43.

commenting on the language used in the case of United States Males, supra, this Court stated:

"* * * the language used, although coarse, vulgar, and indecent, was not within the purview of the statute because its tendency was to excite, anger and condemn and repel rather than excite feelings of an impure, lascivious, or unchaste character." (Duncan v. United States, supra, at p. 132) The court's instruction completely ignored the crucial part of the legal test--the jury was not allowed to determine whether or not the language used was calculated to excite and arouse animal and sexual passions and desires or whether, though it might have been vulgar, abusive and insulting, it was calculated to arouse angry passions and resentments.

It was the appellant's theory of the case that whatever language he may have used was used in the heat of a quarrel between appellant and another citizen's band operator, Harry Sartain, and while the statements he made may have been improper, even vulgar and abusive, nevertheless they did not constitute obscene or indecent language because they were calculated only to insult the hearer or arouse angry resentment.

The trial court refused to instruct according to this theory, instead charging the jury to determine only whether the words "have to do with the purient, the lewd or the lascivious.

One of the great perplexities in law is to define the legally proscribed area of communications, whether books, movies, pictures, songs or spoken language, having regard to sexual organs or sexual practices. Whether or not such a communication is legally to be proscribed depends upon the attitude

and intention of the actor, and upon the effect the communication is calculated to have upon the hearer or other recipient.

In the present case, the trial court made no attempt to deal with the problem; it placed criminal liability on the shoulders of the defendant if any of the language used by or attributed to him "had to do with" the purient, the lewd or the lascivious. It ignored the attitude and the intention of the defendant, and it ignored what effect the language was calculated to have upon the hearer.

As has already been set forth under the summary of the evidence contained in the Statement of the Case herein, witness after witness--all those for the Government as well as those for the appellant--testified that the language used by the appellant occurred in the course of a quarrel on the air. The remarks made by the appellant were not part of any program to corrupt the morals of the hearers, or to incite lewd or lascivious thoughts in the minds of the hearers. They were calculated to insult Mr. Sartain and those of the hearers who had mimicked and made fun of the appellant. In refusing to instruct according to the appellant's theory of the case, which is supported by all the evidence in the case, the appellant is deprived of his defense.

This constitutes reversible error:

LUFTY v. UNITED STATES, CA 9th, 1952,
198 F.2d 760:

LEVINE v. UNITED STATES, U.S.App.D.C.,
1958, 261 F.2d 747.

The impact of these errors taken in conjunction with the private communications made between the trial judge and the foreman of the jury is one of extraordinary prejudice. The error in making of these communications, and the giving of a private instruction to the jury, is considered in full under the next point of this brief. Among other matters which transpired, the trial judge privately sent a memorandum note to the jury telling them, in effect, to disregard the defendant's intention in making the statements and to find him guilty if he used obscene, indecent or profane language over the radio. (Tr. or Rec. 16)

The trial court had given a general instruction on criminal intent (R. T. 115-116) but even this was stripped from him when the private instruction was given. As was held in the following cases:

MORISSETTE v. UNITED STATES, 1952, 342

U.S. 246, 72 S.Ct. 240, 96 L.Ed. 288;

BLAND v. UNITED STATES, CA 5th, 1962,

299 F.2d 105;

BLUNT v. UNITED STATES, U.S.App.D.C., 1957,

244 F.2d 355;

FOSTER v. UNITED STATES, CA 9th, 1956,

237 F.2d 617;

UNITED STATES v. CHRISTMANN, CA 2d, 1962,

298 F.2d 651;

this was fatal error.

POINT THREE

APPELLANT'S CONVICTION MUST BE REVERSED BECAUSE
OF PREJUDICIAL COMMUNICATIONS AND INSTRUCTIONS
MADE PRIVATELY TO THE JURY BY THE TRIAL JUDGE

This point considers the following Specifications
of Error:

6. The lower court erred in failing to inform
the appellant and his attorney of the request for a dictionary
and in failing to ascertain the need for supplementary in-
structions.

7. The lower court erred in privately communi-
cating with and privately instructing the jury.

8. The supplemental instruction, given privately
to the jury, erroneously took the factual question from the
jury of whether or not the acts of the appellant were com-
mitted with criminal intent.

After the jury had begun its deliberations, there
was an exchange of communications between the foreman of the
jury and the trial judge. The circumstance of the occurrences
and the content of the communications is set forth under the
statement of the Case at length. The writings exchanged ap-
pear at pages 15 and 16 of the Transcript of Record. The
entire matter occurred without any form of notice to the
appellant or his counsel whatever, and not in open court.

(Appellant's Exhibit 1)

In the first communication the foreman of the jury inquired if the jury might have a dictionary. The trial judge responded, by a written memorandum, that the jury could not have a dictionary and must rely entirely upon the instructions of the Court in considering the evidence. (Tr. of Rec. 15) The record is barren of any indication that the trial judge made any attempt to ascertain why the request for a dictionary was made.

In the second communication the following writing was directed to the judge:

"ARE WE TO DETERMINE THE INTENTION OF THE
USE OF PROFANE AND/OR OBSCENE LANGUAGE OR
JUST THE USE OF THE WORDS OVER A CITIZEN
BAND RADIO?"

to which the judge replied:

"6-17-65 Memo from Judge Foley Jr. to Jury
in case #1156

You are to only concern yourself with whether
the Defendant used Obscene, Indecent or Profane
language over the radio.

You are not to concern yourself with the reasons
or motive for such use." (Tr. of Rec. 16)

As to the first exchange regarding the dictionary,
it was prejudicial error for the trial court not to inform the
appellant and his attorney of the fact of the inquiry and to

bring the jury back into court to determine what was causing their confusion or uncertainty. *WRIGHT v. UNITED STATES*, U.S.App.D.C., 1957, 250 F.2d 4. Especially is this true in view of the total absence of any instruction on what constitutes indecent language under the law, and the erroneous test the court gave on obscene language.

As to the second exchange, it must be borne in mind that the court had already refused to charge the jury according to the defendant's theory, to the effect that language which is merely calculated to abuse, insult or arouse angry resentment, does not constitute obscene or indecent language under the law, even though the language used is vulgar. (Tr. of Rec. 7) The only instruction left to the defendant was the general one on criminal intent (R. T. 115-116) and this was stripped from him by the judge's memorandum to the jury which equated "intention" with "reason and motive" and directed the jury to disregard the same. This amounted virtually to taking the case from the jury and directing it to return a verdict of guilty.

The law on this point is crystal clear. It was laid down in the case of

FILLIPPON v. ALBION VEIN SLATE CO., 1919,
250 U.S. 76, 39 S.Ct. 435, 63 L.Ed. 853,

s follows:

"We entertain no doubt that the orderly conduct of a trial by jury, essential to the proper protection of the right to be heard,

entitles the parties who attend for the purpose to be present in person or by counsel at all proceedings from the time the jury is empaneled until it is discharged after rendering the verdict. Where a jury has retired to consider of their verdict, and supplementary instructions are required either because asked for by the jury or for other reasons, they ought to be given either in the presence of counsel or after notice and an opportunity to be present; and written instructions ought not to be sent to the jury without notice to counsel and an opportunity to object. Under ordinary circumstances, and wherever practicable, the jury ought to be recalled to the courtroom, where counsel are entitled to anticipate, and bound to presume, in the absence of notice to the contrary, that all proceedings in the trial will be had. In this case the trial court erred in giving a supplementary instruction to the jury in the absence of the parties and without affording them an opportunity either to be present or to make timely objection to the instruction * * * (Citing cases.)"

U.S. 583, 47 S.Ct. 478, 71 L.Ed. 787,

the requirements for civil procedure established in *FILLIPPON v. ALBION VEIN SLATE CO.*, supra, were applied a fortiori to a criminal case.

This Court held in the case of:

AH FOOK CHANG v. UNITED STATES, CA 9th,
1937, 91 F.2d 805

that the giving of a supplemental instruction by the trial judge to the foreman of the jury in the judge's chambers was reversible error on both procedural and substantive grounds, saying:

"* * * appellants were entitled to be personally present at every stage of the trial* * * (citing cases)* * * They could have waived that right by voluntarily absenting themselves from the trial, since they were not in custody* * * (citing cases)* * * But a trial is supposed to take place in a courtroom, and here even if appellants had been in the courtroom, this proceeding would not have taken place in their presence, for it took place in the judge's chambers. If appellants had absented themselves from the courtroom voluntarily, they would have thus consented to the proceeding in the courtroom, but not at some other place* * *"

As to the second ground for reversal, the Court stated the general rules as to a showing of prejudice. Where

the record shows affirmatively that the appellant was prejudiced, there is reversible error; if the record does not show whether the error is prejudicial or not, it is presumed to be prejudicial and requires reversal. In Ah Fook Chang the particular instruction given to the juror to be relayed to the others was not prejudicial per se; nevertheless, reversible error resulted in the instruction being given to the jury in the jury room rather than by the judge in open court with the appellant and his counsel present. Moreover, since it could not be known whether or not the juror correctly repeated the judge's instruction, and since the chance of error was so great where the jury received a "second-hand" instruction, prejudice would be presumed.

The Court will not need to resort to a presumption of prejudice in this--the prejudice and the error are obvious.

See also:

JONES v. UNITED STATES, U.S.App.D.C.,
1962, 308 F.2d 307.

McCLANAHAN v. UNITED STATES, CA 5th,
1959, 272 F.2d 663.

FINA v. UNITED STATES, CA 10th, 1931,
46 F.2d 643.

POINT FOUR

THE EVIDENCE ESTABLISHED, AS A MATTER OF LAW,
THAT THE APPELLANT WAS NOT GUILTY OF THE CRIME
CHARGED, AND HE IS ENTITLED TO A JUDGMENT OF
ACQUITTAL.

This point deals with the following Specification
of Error:

9. The lower court erred in refusing to
grant the appellant's motions for acquittal.

The evidence in this case has already been summarized for the court under the Statement of the Case. It will not be repeated here, but culling from it everything which can be looked to to support a conviction, here is what there is:

The Government witness ORBY BRYANT testified that he had a private detective agency and patrol (R. T. 6); that the witness Sartain was an old friend he had known for twenty years (R. T. 14). He testified that during a heated argument the defendant stated about one of the subjects he was talking to, "if this subject went to a masquerade party, he wouldn't have to wear a costume, as he could go as a prick". (R. T. 11) The defendant called the subject a "bastard" and the witness was "almost positive" he called him a "son-of-a-bitch". (R. T.12)

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The Government witness WELDON EMPEY testified that he was a mechanic and as a hobby engaged in radio experimentation. (R. T. 17) This witness testified he heard the defendant say "to the party that was evidently--well, to somebody, that he was talking to, 'Don't bother changing your clothes, just come as the big prick that you are.'"

The Government witness LAWRENCE CHARLES SARTAIN sold fire equipment and had been a city policeman for five years (R. T. 36). He turned on his radio receiver and heard the defendant arguing with somebody (R. T. 33). In the course of this argument he heard the defendant say: "Goddamnit" and "If you ever got to a masquerade party, you would not have to dress up, just go as a prick that you are." (R. T. 34) After the witness Sartain turned on his transmitter and addressed some remark or remarks to the defendant, the defendant said: "You people have never liked me, I think you are all a bunch of pricks." (R. T. 35) After more remarks by the witness Sartain to the defendant, the defendant said: "Fuck you all." (R. T. 35)

The Government witness WALDO LORIN PRISBREY testified that he was a mechanical technician for Lawrence Radiation Laboratory (R. T. 45). He overheard an argument taking place about a meeting "at the old airport, which I assume was the Thunderbird Field, and through the course of the argument he told the other fellow, Dominic (Defendant) told the other fellow not to dress up or anything, to just come dressed as the prick that he already was." (R. T. 48) This witness had heard the

witness Sartain talking before on the radio when he felt Sartain "was shook up", and he felt Sartain was "shook up at this time". He and the defendant were talking quite loud. (R. T. 50)

The Government witness MRS. DONNA NEWMAN testified she heard the witness Sartain talking to the defendant and the defendant stated to Mr. Sartain, "If ever he went to a masquerade party, he wouldn't have to get a costume, he could just go as the prick he was." (R. T. 54) This witness also testified: "They (Sartain and Defendant) were both pretty well upset and like I say, I have known Larry (Sartain) for a longtime and I have never actually known him to come to blows with anyone, so I don't know, I just figured, well, here we go again." (R. T. 61-62)

The defendant DOMINIC PETER GAGLIARDO testified that a quarrel occurred between him and the witness Sartain, who told the defendant, among other things, to stay off the air to which the defendant replied: "You go to hell." (R. T. 74)

The defense witness FRANCIS L. FUSON testified he was in the business of appliance service and two-way radio sales and service (R. T. 82). He testified to a verbal altercation between himself and the witness Sartain which happened before the events in this case in which the witness Sartain told the witness Fuson "to shut my goddam mouth and get the hell off the channel". (R. T. 88)

Was any of this language obscene, indecent or

profane in the meaning of the law?

The test of what constitutes the use of obscene or indecent language, taken from the case of DUNCAN v. UNITED STATES, CA 9th, 1931, 48 F.2d 128, as stated in Defendant's Proposed Instruction No. 2, (which the trial court rejected) is as follows:

"You are instructed that in this case that in order for the language allegedly used by the defendant to be indecent and obscene it must be calculated to excite the animal passions and corrupt and debauch the mind. A communication may be vulgar, abusive, insulting and calculated to arouse angry passions and resentments, but it is not indecent and obscene unless it is calculated to arouse sexual passions and desires."

(Tr. of Rec. 7)

The lower court correctly stated the law on what constitutes profanity in the charge to the jury:

"Profane language, as used in this case, must be such language as shows irreverence toward God or Holy things. In other words, the language used must import imprecation of divine vengeance or implying divine condemnation. Regardless of how offensive the word may be, it is not profane unless such language is irreverent toward God or Holy things." (R. T. 117)

Everything the defendant said or is reputed to have said was done in the course of heated argument. There is no evidence that the defendant made any statements for the purpose of or which were calculated to arouse sexual passions or desires. There is no evidence that the remarks of the defendant tended to arouse any lewd, lascivious or purient thoughts in the minds of the hearers. As noted above, everyone of them recognized that matter for what it was--a heated argument. The statements attributed to the defendant were calculated only to anger the hearer or hearers they were addressed to.

As to profanity, this illiterate boy (R. T. 81), in his anger, simply adverted to expressions commonly used to express anger. The expressions attributed to him are so commonly used that this court could take judicial knowledge that such expressions, in the context in which they were employed, do not show an "irreverence toward God or Holy things", they do not import "imprecation of divine vengeance" or imply "divine condemnation."

The only witness who testified to any use of language by the defendant which could be relied on by the Government testified he heard the defendant say "Goddamnit". None of the other Government witnesses who heard the broadcast mentioned the defendant using such expression. The defendant testified that he did say to Sartain in their quarrel, "You go to hell".

If the defendant did say "Goddamnit", it is not

established what he was referring to, if anything. The authorities on profanity are collected in the case of DUNCAN v. UNITED STATES, CA 9th, 1931, 48 F.2d 128, beginning at p. 133. In every instance in which the word "damn" was held to be an exercise of profanity, it was profane against God as invoking condemnation. Thus: "I can whip any damn Groover of the name." (Roberts v. State, 120 Ga. 177, 47 S. E. 511); referring to another as "damned old rascal" (Holcomb v. Cornish, 8 Conn. 375), referring to the church Sunday school, "Well, the damn thing is done broke up," Orf v. State, 147 Miss. 160, 113 So. 202. In the Duncan case itself, the defendant referred to an individual as "damned", he used the expression "By God" irreverently, and he announced his intention to all down the curse of God upon certain individuals. Clearly, an isolated expression "Goddammit" being unrelated to any person or thing, does not constitute profanity, within the meaning of the law.

As to the expression, "You go to hell," in the case of SANFORD v. STATE, 91 Miss. 158, 44 So. 801, noted in the Duncan opinion, it was held that the language: "Go to hell, you low down devils," did not violate the statute, since, "upon strict construction, which is required of the courts, it lacks any 'imprecation of divine vengeance' and does not 'imply divine condemnation.'" This was "simply a rude request or order to go to hell, with no necessity to obey, no power to enforce obedience, and no intimation that the irresistible Power had condemned, or was invoked to condemn, them to go to hell."

It has already been noted that there was no proof in this case that the broadcast was used by any radio network engaged in interstate commerce, or in communicating voice across a state line so as to constitute interstate commerce. The defendant's motion for judgment of acquittal was based on the grounds of the non-interstate character of the broadcast and upon the ground that the language attributed to the defendant was not, in law, obscene, indecent or profane. (R. T. 67-70, 122) The motion was correct, the lower court erred in denying it, and the conviction should be reversed, and the case should be remanded with direction for entry of a judgment of acquittal.

CONCLUSION

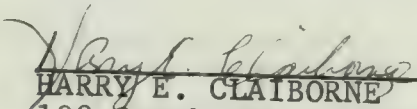
The writer of this brief was the attorney for the defendant at the trial. He opened his address to the jury with the statement: "This is one of the cases that gives you the idea of wondering why you are here." All the power, strength and ceremony of a federal jury trial was invoked to bring a twenty-three old illiterate boy, and a novice in the way of radio use, to the bar of justice for some intemperate remarks made in anger over a ham radio transmitter to another ham radio operator, and heard by a necessarily limited number of people in the immediate locality of the City of Las Vegas, Nevada.

In the exercise of all this power, strength and ceremony, the trial court, after denying the defendant's motion to dismiss the indictment by reason of the unconstitutionality of the federal statute under which the defendant was indicted, refused to instruct the jury on the defendant's theory of the case; gave the jury an erroneous test of what constitutes the use of obscene language; gave no test as to what constitutes the use of indecent language; refused to grant the defendant judgment or acquittal when the evidence, in its entirety, showed that the defendant did not intentionally use language which was either obscene, indecent or profane; and, finally, engaged in a course of private communications with the foreman of the jury, in which the jury was, in effect, instructed to

disregard the intention of the use of profane or obscene language, or both, and, virtually, to come back with a verdict of guilty.

This conviction should not be allowed to stand.

Respectfully submitted:


~~HARRY E. CLAIBORNE~~
108 South Third Street
Las Vegas, Nevada

ATTORNEY FOR APPELLANT

4. Appellant filed the notice of appeal herein on August 6, 1965 (Tr. of Rec. 10).

5. On or about August 25, 1965, an examination was made of the official court record in connection with perfecting the record on this appeal, when, for the first time, your Affiant discovered the existence of the written memoranda exchanged between the trial judge and the jury foreman reproduced at pages 15 and 16 of the Transcript of Record.

6. These memoranda were immediately called for inclusion in the record on this appeal by the filing of a supplemental designation of record (Tr. of Rec. 13).

7. If your Affiant had known of the communications, he would have requested that the trial judge ascertain the cause of the jury's uncertainty which led them to request the use of a dictionary, and would have submitted to the court whatever supplemental instructions as were deemed necessary.

8. If your Affiant had known of the communications, he would have submitted a requested supplemental instruction in response to the jury's question as to whether it should concern itself with the intention of the use of profane or obscene language, and would have requested the Court to repeat the instructions favorable to the defendant as made in the original charge to the jury, and would have renewed his request that the jury be instructed in accordance with Defendant's Proposed Instruction No. 2 (Tr. of Rec. 7).

9. If your Affiant had been made aware of the existence of the communications before taking the appeal herein, he would

APPELLANT'S EXHIBIT NO. 1

No. 20458

IN THE UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

NIC PETER GAGLIARDO,)
)
 Appellant,)
)
vs.)
)
ED STATES OF AMERICA,)
)
 Appellee.)
)

AFFIDAVIT OF COUNSEL

E OF NEVADA))
) ss.
NY OF CLARK)

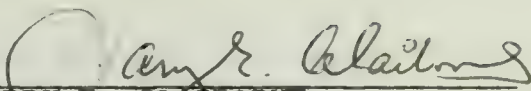
HARRY E. CLAIBORNE, being first duly sworn, upon his
deposes and says:

1. He is the attorney for the appellant in the above-
led cause, and was the attorney for the appellant in this case
e United States District Court for the District of Nevada.

2. After the case was submitted to the jury and during
eliberations, an exchange of communications took place between
fireman of the jury and the trial judge (Tr. of Rec. 15, 16)

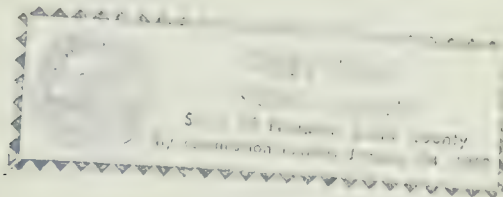
3. Neither the appellant herein, nor your Affiant, were
et when any of these communications took place, and they were
ntified that any inquiries were made of the trial judge or
ed by him, and the same did not take place in open court.

e moved the lower court for a new trial.


HARRY E. CLAIBORNE
108 South Third Street
Las Vegas, Nevada
ATTORNEY FOR APPELLANT

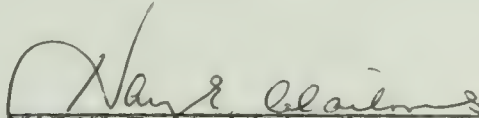
SUBSCRIBED AND SWORN to before me this 26th day of
ber, 1965.


NOTARY PUBLIC



CERTIFICATE

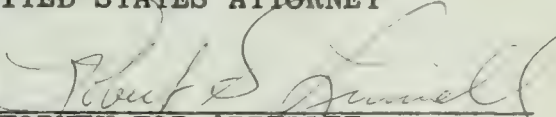
I hereby certify that in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.


HARRY E. CLAIBORNE
ATTORNEY FOR APPELLANT

PROOF OF SERVICE

RECEIPT OF THREE COPIES of the foregoing brief, together with Appellant's Exhibit No. 1, is hereby acknowledged on 21st day of October, 1965.

JOHN W. BONNER
UNITED STATES ATTORNEY

By 
ATTORNEY FOR APPELLEE

FEB 14 1967

No. 20458

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FOR THE NINTH CIRCUIT

DOMINIC PETER GAGLIARDO,)
)
Appellant,)
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v.)
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UNITED STATES OF AMERICA,)
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Appellee.)

APPELLEE'S ANSWERING BRIEF

JOSEPH L. WARD
United States Attorney

ROBERT S. LINNELL
Assistant United States Attorney

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Las Vegas, Nevada
382-5696

FILED

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WM. B. LUCK, CLERK

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UNITED STATES OF AMERICA,

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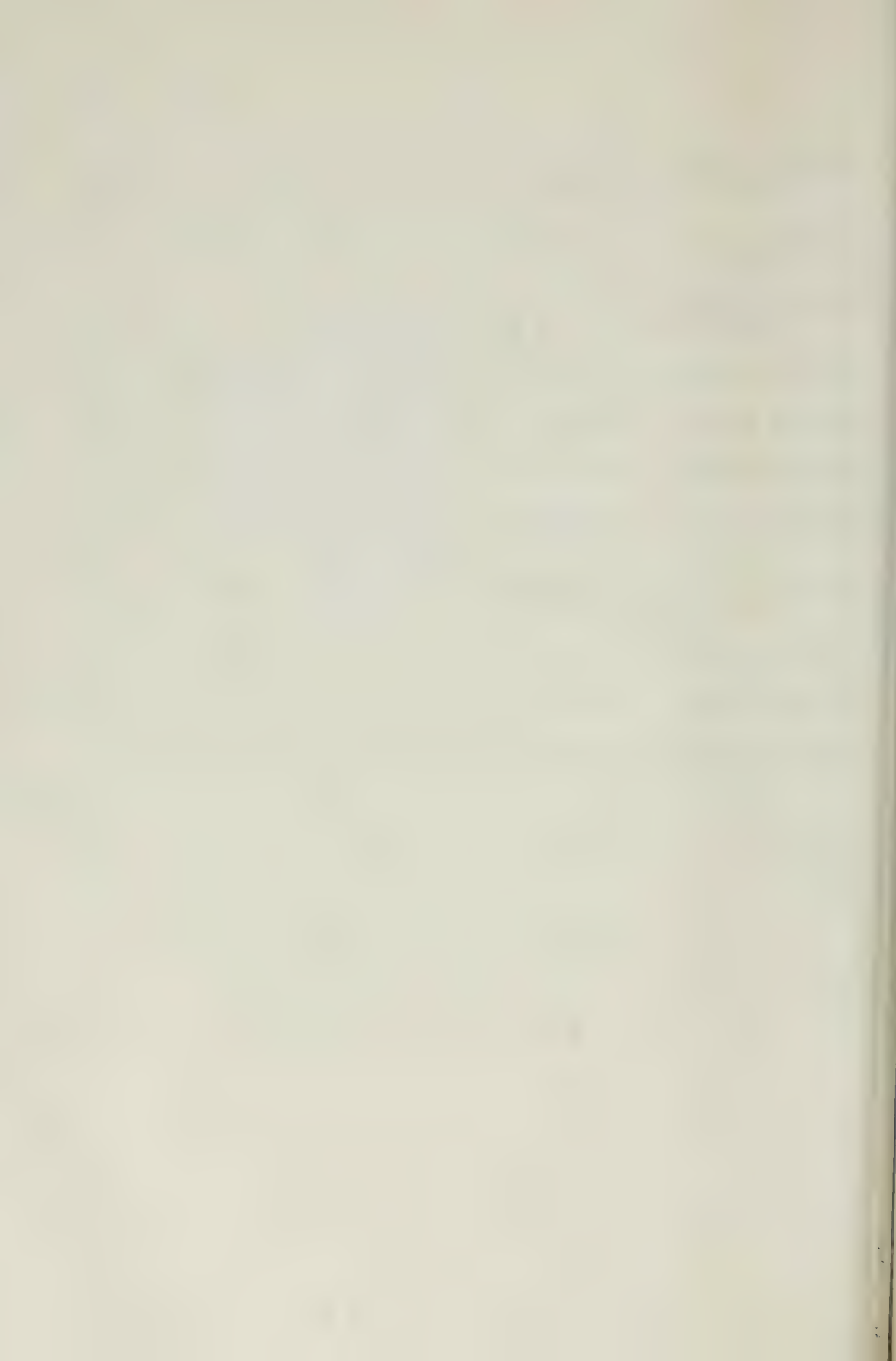
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I.

STATEMENT OF JURISDICTIONAL FACTS

The indictment herein charged in a single count a violation of Title 18, Section 1464, United States Code, an offense against the United States.

Under Title 18, Section 3231, United States Code, the United States District Court had original jurisdiction.

Upon the jury's verdict of guilty, Appellant was sentenced, and now appeals therefrom.

It is conceded that this Court has jurisdiction over appeals from such final decisions of a District Court under the provisions of Title 28, Section 1921, United States Code, and by virtue of Rule 27(a), Federal Rules of Criminal Procedure.

II.

STATEMENT OF THE CASE

This is an appeal from the conviction of appellant, Dominic Peter Gagliardo in the United States District Court for the District of Nevada.

The indictment upon which the conviction

is based charged Appellant (R. 2) ¹ with having uttered obscene, indecent and profane language by radio communications over the citizens' band radio network, in violation of Title 18, United States Code, Section 1464.

Following a jury trial, Appellant was convicted and sentenced to the custody of the Attorney General for treatment and supervision under the Young Adult Offenders' Act, 18 United States Code, Section 4209 (R. 9).

After the foregoing judgment and conviction, Appellant filed a Notice of Appeal on August 6, 1965 (R. 10). Appellant's opening brief was filed on or about October 26, 1965, whereupon, Appellee, on or about November 29, 1965, filed a motion to remand, supported by affidavit and by stipulation of Appellant's counsel. On December 9, 1965, an order was endorsed and filed in this Court, remanding the case to the District Court. Subsequently it was determined that counsel, as well as the Trial Court were under the erroneous impression that

¹ "R" as used herein refers to the Record on Appeal.

Appellant had, within five days of conviction, filed a motion in the District Court for a judgment of acquittal, or, in the alternative, for a new trial.

In view of this situation, and in the belief that this Court had remanded the case to the District Court for the sole purpose of permitting the District Court to reconsider a timely motion for a new trial, Appellee, on or about February 26, 1966, filed its application for instructions.

This Court, as a result thereof, on February 25, 1966, ordered the District Court to re-transfer the cause to it.

Factually, and examining the evidence in the light most favorable to Appellee, Appellant owned and utilized certain citizens' band radio equipment, including a transmitter. Early in April he was heard to state over the air that if someone went to a masquerade party, he wouldn't have to wear a costume, but could go as a "prick" (T. 11, 23, 34, 48, 54). ²

² "T" as used herein refers to the Reporter's Transcript of Proceedings.

He also called a person a "bastard" and "son-of-a-bitch" (T. 12).

In the course of a broadcast on or about April 8, 1965, Appellant was also heard to state: "You people have never liked me, I think you are a bunch of pricks" and further, "Fuck you all" (T. 35). He was also heard to say (T. 34), "God damn it".

Radio transmitters such as that used by Appellant could transmit a signal some 60 or 70 miles under the right conditions (T. 28), although it was testified by a defense witness (T. 83) that the normal range of a 3½ watt system would be, ordinarily, 10 to 12 miles.

It was further testified that under extreme conditions, a citizens' band operator could talk four or five thousand miles (T. 89) and that in any event, the size and power of the receiver is an element in determining at what distance a transmission of the type here involved could be heard (T. 90).

At the close of the Appellee's evidence, Appellant moved for a judgment of acquittal (T. 67), which the trial court denied (T. 70). The motion was renewed and denied prior to submission of the case to the jury (T. 122).

Appellant proposed an instruction (R. 7)

defining indecent and obscene language, which was refused by the trial court (T. 108). The Court thereafter gave its own instruction defining obscene words. (T. 117).

After the jury had commenced its deliberations, a note was sent by the foreman to the Court, requesting a dictionary (R. 15), and the Court replied that the jury could not have a dictionary (R. 15). Thereafter, the jury inquired by a written note (R. 16) as to whether they were to be concerned with the intent, and the Court replied:

"You are to only concern yourself with whether the defendant used Obscene, Indecent or Profane language over the radio. You are not to concern yourself with the reasons or motive for such use." (R. 16)

It is conceded that both of the above mentioned communications to the jury were made by the Trial Court without the knowledge or presence of the Appellant or counsel for either side.

The Appellant has specified as error
(Opening Brief, pp. i, ii):

1. That Title 18, United States Code, Section 1464, under which appellant was indicted and convicted is an unconstitutional exercise of power by Congress.

2. That the Trial Court erroneously instructed the jury.

3. That reversible error was committed as a result of the private communications between the Court and the jury.

4. That the Trial Court erroneously denied Appellant's motion for acquittal.

III.

SUMMARY OF ARGUMENT

1. Title 18, United States Code, Section 1464, constitutes a valid and constitutional exercise of Congressional power.

2. The trial Court properly instructed the jury.

3. Although it was error for the trial Court to communicate with the jury in the absence of Appellant and counsel, the Appellant was not prejudiced thereby.

4. Appellant's motion for judgment of acquittal was properly denied.

IV.

ARGUMENT

1. TITLE 18, UNITED STATES CODE, SECTION 1464, CONSTITUTES A VALID AND CONSTITUTIONAL EXERCISE OF CONGRESSIONAL POWER.

The Appellant was charged in the indictment with having, during the month of April, 1965, in Clark County, State and District of Nevada, uttered obscene, indecent and profane language by means of radio communications over the citizens' band radio network, regulated by the Federal Communications Commission in violation of Title 18, Section 1464, United States Code. (R. 2).

Appellant has taken the position (Opening Brief, pp. 20-27), that Section 1464 is an unconstitutional exercise of Congressional power; that the power governing intrastate radio communications is reserved to the states under the Tenth Amendment to the Constitution of the United States. Appellant also urges that the statute is ineffective and void as to him, since there is no charge that the challenged communication or transmission was interstate.

There is evidence (T. 28, 89, 90), that the transmissions travelled beyond the boundaries of the State of Nevada and were capable at least of being received in other states. There is no evidence that the transmissions were heard in any state other than Nevada.

In view of the foregoing, Appellee cannot concede that the transmissions were purely intrastate.

Assuming, arguendo, that the transmissions were purely intrastate in nature, it is nevertheless Appellee's position that they are within the power of Congress to regulate and police, pursuant to Section 1464, United States Code.

Section 1464, United States Code is taken from the last sentence of Title 47, United States Code, Section 326 (1940 ed.), and the penalty provision of Title 47 United States Code, Section 501 (1940 ed.), which are Sections 326 and 501 respectively, of the Communications Act of 1934 (Volume 48, United States Statutes at Large, pp. 1064 through 1105).

Section 326 (48 Stat. 1091), provides in part:

"No person within the jurisdiction of the United States shall utter any obscene, indecent or profane language by means of radio communications."

Section 501 (48 Stat. 1100; 47 U.S.C. 501), provides a general penalty of \$10,000 fine, or imprisonment for not more than two years, or both, for violations of the Communications Act of 1934 (where no specific penalty is set forth).

Section 301 (48 Stat. 108; 47 U.S.C. 301), provides for the licensing of persons making radio transmissions.

Section 605 (48 Stat. 1103; 47 U.S.C. 605) generally prohibits the unauthorized use and divulgence of transmissions by radio or wire, and provides in part:

" . . . no person not being authorized by the sender shall intercept any communication". (Emphasis added)

Although there is unfortunately little or no case law interpreting Title 18, United States Code, Section 1464, a substantial body of law has developed concerning the various provisions of the Communications Act, more particularly Sections 605 and 301, which, it is felt, are helpful in determining the Congressional

intent and authority concerning 18 United States Code, Section 1464.

It is the appellee's position that 1464, like its predecessor, 47 United States Code 326 (1940 ed.) is not expressly limited to interstate radio communications. Its broad language:

" . . . by means of radio communication . . . " is not substantially different from the second clause of 47 United States Code, 605,

" . . . no person not . . . authorized . . . shall intercept any communication . . . "

and the fourth clause of Section 605:

" . . . no person having received such intercepted communication . . . ".

Certainly Section 605 must be considered as an adjunct to Section 501, which provides the penalties.

Examining first the cases under Section 605, involving wire communications, the Court's attention is respectfully called to Weiss v. United States, 2 Cir. 1939, 103 F.2d 348, wherein the defendants were convicted of mail fraud and conspiracy

as a result of government wiretapping of messages received by them. Only evidence of intrastate messages were offered at the trial. The Supreme Court reversed the conviction, Weiss v. United States, 1939, 308 U.S. 321, 84 L. Ed. 298, 60 St. Ct. 269, noting a distinction between the second and fourth clauses of Section 605 and the first and third clauses, the latter two of which expressly refer to interstate or foreign communications.

The second clause, prohibiting the interception and divulging of any communication caused the Court to state (308 U.S., at 327):

" . . . as Congress has power, when necessary for the protection of interstate commerce to regulate intrastate transactions, there is no constitutional requirement that the scope of the statute be limited so as to exclude intrastate communications." (Footnotes omitted).

With respect to the modifying language ("interstate or foreign") found in the section, the Court stated, at page 329:

"The Commission's regulatory powers and administrative functions have to do only with interstate and foreign communications. But §605 delegates no functions and confers no power upon the Commission. It consists of prohibitions, sanctions for violation of which are found in §501. We hold that the broad and inclusive language of the second clause of the section is not to be limited by construction so as to exclude intrastate communications from the protection against interception and divulgence."
(Footnotes omitted)

The Court ruled that the intrastate communications were inadmissible against the defendants. To the same effect, see United States v. Klee, 3 Cir. 1938, 101 F.2d 191; Sablowsky v. United States, 3 Cir. 1938, 101 F.2d 183; United States v. Janello, 3 Cir. 1939, 102 F.2d 587; and Diamond v. United States, 6 Cir. 1938, 108 F.2d 859.

Some 18 years after the Weiss decision, supra, the Supreme Court decided Benanti v. United States, 1957, 355 U.S. 96; 2 L. Ed. 2d 126; 78 S. Ct. 155, in which it reversed a conviction where there

was a wiretap by state officers of intrastate messages and the evidence received made available to federal officers for use in a federal trial. The Court stated, 355 U.S. at 104:

"The Federal Communications Act is a comprehensive scheme for the regulation of interstate commerce".

The Court added, as a footnote:

"The primary purpose of the Act was to create a commission 'to regulate all forms of communication and to consider needed additional legislation'. H. Rep. No. 1850, 73d Cong., 2d Sess. 3."

In reexamining the Weiss decision, the Court indicated that intrastate communications cannot be ignored because,

"The interceptor cannot discern between the two and will listen to both. Congress did not intend to place the protections so plainly guaranteed in Section 605 in such a vulnerable position." (355 U.S., at 105).

As an aside, the writer would like to point out that a person who utters obscenities or

indecencies by radio cannot insure that such broadcast is purely intrastate, and without effect upon interstate communications.

In United States v. Gris, S.D.N.Y., 1956, 146 F. Supp. 293, the defendant moved to dismiss an indictment charging the wiretap violation of Section 605, because it didn't allege interstate or foreign communication.

The District Court denied the motion, citing the Weiss decision, and stated (146 F. Supp. at 295):

"Since Section 605, which this defendant is charged with violating, covers intrastate as well as interstate communications, as the Supreme Court held in the Weiss case, the indictment charges this defendant with a crime, whether the intercepted communications were intrastate or interstate."

The District Court, in Gris further stated, at page 295:

"The Weiss case is conclusive against the defendant's contention that the indictment is insufficient for failure to specify that the communications were interstate."

The conviction of Gris was affirmed in Gris v. United States, 2 Cir. 1957; 247 F.2d 860, with the Appellate Court essentially relying on Weiss.

In United States v. Lipinski, D.C. New Mex., 1957, 151 F. Supp. 145, defendant moved to dismiss the indictment charging interception of telephone messages admittedly intrastate in nature, but the parties acknowledged that the wires which had been tapped also carried interstate messages.

The District Court stated (at page 148),

"It is pointed out in the Weiss case that, when necessary to protect interstate and foreign commerce, the Congress has undoubted power to regulate intrastate commerce, and the exercise of that power of Congress, for such purpose, invades no constitutional right."

The conviction was affirmed in Lipinski v. United States, 10 Cir. 1958, 251 F.2d 53, where the Appellate Court stated, at page 55, that Congress has plenary power to legislate

". . . for the government of interstate commerce, its protection and advancement, and for its growth and safety; and within the range

"of that power lies power to regulate intra-state activities when it is necessary for the protection of interstate commerce."

Of the Section 605 cases dealing with radio communications, the Court's attention is called to United States v. Sugden, 9 Cir. 1955, 226 F.2d 281, affirmed per curiam, 351 U.S. 916, 100 L. Ed. 1449, 76 S. Ct. 709.

This case is important for its language in applying the restraints of Section 605 to apparently intrastate radio communications. The defendants had a licensed farm radio station used to communicate with workers in the fields. Intercepted communications produced evidence of Immigration Law violations and a portion of the communications were made prior to the time the defendants became licensed operators, the remaining communications having been made subsequent to their being licensed. Based upon Section 605, the District Court suppressed all evidence thus obtained, and quashed the indictment.

On appeal, this Court indicated that if

the station and operators are licensed, then the Government may monitor communications only in connection with the policing and enforcing of the Communications Act (226 F.2d at 285). The Court further indicated, however, that while the defendants were using the radio before they were licensed, then anyone hearing the communication was at liberty to make full disclosure, Section 605 not applying, since the unlicensed use was illegal.

The Court ruled, in effect, that such of the evidence as was obtained from the illegal broadcasting should not have been quashed.

It is apparent that the Court held that federal jurisdiction attached to both the illegal and protected communications, although it appears from the facts that only intrastate communications were involved.

It is interesting that this Court, in Elkins v. United States, 9 Cir. 1959, 266 F.2d 588, vacated on other grounds, 364 U.S. 206, 4 L. Ed. 2d, 1669, 80 S. Ct. 1437, cited Lipinski and Sugden, both supra, after stating (266 F.2d at 593), as to

the second clause of Section 605:

" . . . the term 'any communication' includes intrastate communications."

In United States v. Fuller, N.D. Cal., S.D. 1962, 202 F. Supp. 356, the District Court was concerned with a motion to dismiss an indictment charging unauthorized interception of police radio broadcasts, which the defendant made available to a commercial radio station for news broadcasting purposes.

The District Court (at page 358), stated that Congress'

" . . . Constitutional power to regulate the field of communication by radio and other means of interstate or foreign communication is too well established to require citation of authority."

That Court concluded, in substance, that Section 605 was intended, inter alia, for the protection of public safety radio services which, it is here noted, usually involve intrastate messages. By analogy, it would seem apparent that

18 U.S.C.1464 applies to police radio systems, whether of an interstate or intrastate character.

In view of the foregoing cases, it would clearly appear that Congress used Constitutional power as expressed in Section 605 to affect intrastate communications, and that the Communications Act is a comprehensive scheme to control, regulate and prohibit as to both wire and radio communications in general. The cases at the very least indicate that if there is a capacity for interstate transmission, then the interception and divulgence of intrastate messages fall within Section 605.

From the broad language of Sugden and Fuller, supra, it would appear, however, that intrastate wire or radio communications without more, are within the Constitutional reach of Congress, and that the field has been pre-empted by Congress, both in the Communications Act and in 18 United States Code, 1464.

The second line of cases are those dealing with Section 301 of Title 47, United States Code, which provides for licensing. Each of the

following three cases exhibits a strained effort by the Courts to find "interference" with interstate commerce, and in each of these, the interference is certainly slight. In any event, there is considerable broad, sweeping, general language supporting the inclusion of intrastate radio broadcasts within the scope of the Communications Act.

In the case of United States v. Gregg, S.D. Tex. 1934, 5 F. Supp. 848, the Government sought to enjoin the operation of an unlicensed station. The messages broadcast were definitely intrastate, and the Court concluded (at pp. 850, 851) that "under normal circumstances" the broadcasts could not be heard outside of Texas; the broadcasts had no "effects" outside of Texas, and did not interfere with out of state broadcasts.

It was pointed out, however, at p. 851, that "there are times" when the station does interfere with the reception of broadcasts in Texas from out of state, and thus the Court found interference with interstate broadcasts.

The Court stated, 5 F. Supp., at page 854, that Congress has exclusive power of interstate

communications, and

" . . . this Federal power extends over intrastate communications where it is intermingled with interstate communications or interferes with interstate communications".

The Court, at page 857, went on to say that the Congressional requirement of licensing intrastate stations is reasonable when one considers that

" . . . a sufficient number of unlicensed and unregulated intrastate stations on different frequencies could interfere (sic) and even destroy all interstate radio broadcasting".

If this language were to be accepted, then it could well be argued that the mere potential harm to interstate communications places intrastate communications under the Act.

The case of United States v. Betteridge (D.C. N.D. Ohio, E.D. 1942, 43 F. Supp. 53), is interesting for its perhaps unnecessarily broad language to the effect that all radio operations fall within the scope of the Communications Act. In that case the Court stated, at page 55:

"It is needless to go into a lengthy dissertation on the inherent natural characteristics of radio transmission to arrive at the inescapable conclusion that all transmission of energy, communications or signals by radio, either using interstate or foreign channels of transmission so affect interstate or foreign channels as to require the regulation of their use by licensing or otherwise, if the announced purpose of this section, i.e., the retention of control in the United States of all channels of interstate and foreign radio communication, is to be carried out effectively." (Emphasis added.)

In C. J. Community Services, Inc. v.

Federal Communications Commission, D.C. App. 1957, 246 F.2d 660, a television booster station in the State of Washington interfered only with interstate communication to the extent that a citizen of Spokane had difficulty with the reception on his television set. The Court, acknowledging that the interference with interstate commerce was negligible, stated, at pages 662, 663, that it was satisfied from reading Section

". . . that Congress intended to assert control by the Federal Government over 'all the channels of interstate . . . radio transmission', and that the sweep of the communications authority includes the booster station here involved."

Also of interest is the language of Whitehurst v. Grimes, E.D. Ky., 1927, 21 F.2d 787, involving a city tax on amateur radio operators and radio broadcasting, where the court stated, at page 787:

"Radio communications are all interstate. This is so, though they may be intended only for intrastate transmission; and interstate transmission of such communications may be seriously affected by communications intended only for intrastate transmission. Such communications admit of and require a uniform system of regulation and control throughout the United States, and Congress has covered the field by appropriate legislation."

In Dumont Laboratories v. Carroll, E.D. Pa., 1949, 86 F. Supp. 813, affirmed 184 F.2d 153, the Commonwealth of Pennsylvania sought to censor motion pictures for television transmission, and it was

held that Congress had pre-empted the field. The Court stated, 86 F. Supp, at p. 815:

"Notwithstanding the provision of 47 U.S.C. 326 denying Federal Communications Commission censorship, it is clear that Congress has made a plenary exercise of its power to regulate and a complete occupation of the field, including censorship. The civil licensing sections indicate this, as well as 18 United States Code 1464, which was originally part of 47 United States Code 326." (Emphasis added.)

An examination of the cases leads to the conclusion that Dumont Laboratories, supra, is the only case reported under Section 1464, involving any of the problems in the case at bar.

The comparison, however, of relevant sections of the Communications Act would justify the conclusion that Section 1464 may still be considered part of that Act. The foregoing cases deal with the power of Congress over communications, the scope of the Act itself and particularly its application



to intrastate communications. The cases indicate that Congress, under the Commerce Clause, has preemptive power over interstate communications, and that Congress has exercised plenary control over the subject. Unlike the purely regulatory provisions of the Act, Section 1464 of Title 18, as was Section 326 of the original Act, is a straight prohibitive provision, as are portions of Section 605 of the Act. The cases under Section 605 indicate that if communications intended for intrastate reception actually cross state lines or actually interfere with interstate communications, then they fall within the scope of the Act. Even if the equipment has the capacity to reach out of the state or to interfere, without proof that it did in fact, it would come within the purview of Section 605.

By analogy, the same principle applies to radio broadcasts under 18 United States Code, 1464. The testimony contains substantial evidence that the broadcasts in question had the capacity to reach other states from the Las Vegas, Nevada, area (T. 28, 89) and additional evidence indicated that a more powerful than customary receiver would possibly be

able to pick up the broadcasts in a second state.

Effective protection of interstate communications requires that such broadcasts as were involved be subject to the sanctions of Section 1464. The purpose of this provision is to protect persons legitimately using their equipment from indecent, obscene or profane language. It would be probably fair to say that an additional purpose is to protect members of the public also from such language, and it is pointed out that in the broadcasts in question, the wife, and possibly the children of the witness Sartain heard the utterances (T. 41), as well as the son of the witness Donna Newmen (T. 53, 63).

The cases under Section 301 of the Act, as can readily be seen, all broadly support the contention that Congress, through the Act, has exercised its power to reach virtually all radio communications, apparently on the premise that the nature of radio communications is not really severable into interstate and intrastate categories.

2. THE TRIAL COURT PROPERLY INSTRUCTED
THE JURY.

The Appellant argues (Opening Brief, pp. 28-33), that the trial court erroneously failed to instruct the jury that in order for the questioned language to be obscene or indecent within the meaning of 18 United States Code, 1464, it must be calculated to arouse sexual passions and desires.

The Trial Court, refusing to instruct the jury as above indicated, charged as follows:

"Profane language, as used in this case, must be such language as shows irreverence for Holy things. In other words, the language used must impart imprecation of divine vengeance, or imply divine condemnation. Regardless of how offensive the word may be, it is not profane unless such language is irreverent toward God or Holy things.

"An obscene word or words is defined by the Supreme Court of the United States as follows:

"'if to the average person applying contemporary community standards the word, or

"'words, have to do with the prurient,
the lewd, or the lascivious'". (T. 117)

Practically all of the case law dealing with obscene material and language arises from prosecutions under Section 1461, Title 18, United States Code, which deals with postal laws and nonmailable matter. That section declares nonmailable

"Every obscene, lewd, lascivious or filthy book . . . or other publication of an indecent character . . ." (Emphasis added.)

Section 1464 of Title 18, the section involved in the case at bar, prohibits the uttering by radio communication of ". . . any obscene, indecent, or profane language." (Emphasis added.)

The Supreme Court of the United States has had occasion to discuss the meaning of obscenity and related items in four noteworthy cases.

In Rosen v. United States, 1896, 161 U.S. 9, 40 L. Ed. 606, 16 S. Ct. 434, the Court reviewed conviction, U.S. Rev. Stat. §3893, which contained language substantially the same as used in 18 United States Code, 1464, supra.

In affirming the conviction, the Court stated (161 U.S. at p. 43), in approving an instruction given by the trial Court:

"That was what the court did when it charged the jury that 'the test of obscenity is whether the tendency of the matter is to deprave and corrupt the morals of those whose minds are open to such influence and into whose hands a publication of this sort may fall.' ' Did it', the court said, 'suggest or convey lewd thoughts and lascivious thoughts to the young and inexperienced?' In view of the character of the paper, as an inspection of it will instantly disclose, the test prescribed for the jury was quite as liberal as the defendant had any right to demand."

Later in 1896, the Court, in Swearingen v. United States, 1896, 161 U.S. 446, 40 L. Ed. 765, 16 S. Ct. 562, reversed and awarded a new trial in another case involving U. S. Rev. Stat. Sec. 3893. The Court stated, 161 U.S. at p. 451,

"The words 'obscene', 'lewd', 'lascivious' as used in the statute, signify that form of immorality which has relation to sexual

"impurity, and have the same meaning as is given them at common law in prosecutions for obscene libel."

The trial court there had merely charged the jury that the newspaper article in question was obscene and nonmailable matter.

The next major decision on the subject was United States v. Limehouse, 1932, 285 U.S. 424, 6 L. Ed. 843, 52 S. Ct. 412. There the government had appealed under the Criminal Appeals Act from a quashing of its indictment under Section 211 of the Criminal Code of 1911, involving identical language with that in 3893, and considered in Rosen and Swearingen, supra, except that Section 211 had added the words "and every filthy" book, letter, etc.

In the Limehouse case, the defendant had mailed several letters which were "coarse, vulgar, disgusting, indecent, and unquestionably filthy within the popular meaning of that term". The District Court had quashed the indictment, finding that none of the letters in question was obscene within the meaning set forth in Swearingen. That is, the language used was not "'calculated to corrupt and debauch the mind and morals of those into whose hands it might fall' and induce sexual

"immorality."

The Court determined that the amendment to the statute which had added the term "filthy book . . ." added an additional category which included at least some of the letters in question. The Court stated, 285 U.S., at 426,

"The letters here in question plainly relate to sexual matters".

In the last significant decision by the Supreme Court, Roth v. United States, 1957, 354 U.S. 476, 1 L. Ed. 2d 1498, 77 S. Ct. 1304, the Court upheld the constitutionality of Section 1461, indicating that its decision might have been otherwise, had not the proper standard of obscenity been applied. The standard approved was:

"Whether to the average person, applying contemporary community standards, the dominant theme of the material taken as a whole appeals to prurient interest".

This clearly would be the applicable test or standard governing the courts today when obscene writings, papers, letters, magazines, etc. are involved,

and this was undoubtedly the standard relied upon by the District Court in the case at bar (T. 117).

Yet, in the case at bar, there is no story or plot to which the standard can be applied. We have merely certain extremely vulgar words uttered for any and all to hear who might have been listening to the particular broadcasts.

The question then arises as to whether the words used by the Appellant are "indecent" as that term is used in Section 1464, and whether that term means something different than "obscene".

It was indicated, in United States v. Keller, 3d Cir. 1958, 259 F.2d 54, that words "lewd," "lascivious" and "indecent", as used in Section 1461 did not establish categories of nonmailable matter, which can be distinguished from "obscene" matter.

This Court has faced the question on numerous occasions, commencing as early as 1918, when it decided Magon v. United States, 9 Cir. 1918, 248 F. 201, and considered the term "indecent". It there stated, at page 203:

". . . while the meaning assigned to the word 'indecent' in the statute by the amendment of 1911 is new, the method of its application is as old as the statute itself. It is for the Court to determine in the first instance whether any given language can have the tendency attributed to it, and for the jury to determine whether it has such tendency in fact. A defendant charged with sending of indecent matter through the mail is therefore, . . . in the same position that a defendant charged with sending obscene matter has always been in . . .".

This Court, in Duncan v. United States, 9 Cir. 1931, 48 F.2d 128, cert. den. 283 U.S. 863, 75 L. Ed. 1468, 51 S. Ct. 656, affirmed a conviction for broadcasting of obscene, indecent and profane language by radio. The appellant took the position that the language was neither obscene nor indecent, urging in his brief (48 F.2d, at 131):

"Language is not obscene, indecent or profane within the legal meaning of the terms, except it is calculated to promote violation of the law and the general corruption

of morals. It is determined by the sensibilities and moral standards of a people, as evolved from generation to generation, that change with the times and civilization."

The Court determined, at page 134, that the indictment was good and the conviction should be affirmed, by reason of the use of profane language,

". . . having referred to an individual as 'damned', having used the expression 'By God' irreverently, and having announced his intention to call down the curse of God upon certain individuals . . ."

the court found the remaining language (at 132), to be "abusive and objectionable", but not to have any tendency to excite libidinous thoughts on the part of the hearers, and concluded that the language was not within the category of obscene and indecent, as those terms are used in the Communications Act.

It is Appellee's suggestion that if the language used by Appellant Gagliardo had been broadcast and before the Court in Duncan, there would have been no hesitation by that Court in determining such language to be within the purview of the statute, based on the Court's

decision in Magon, supra, since the words used, regardless of their context, would tend to corrupt morals.

This Court reaffirmed the position it had taken in Magon, supra, when it decided Burstein v. United States, 9 Cir. 1949, 178 F.2d 665.

There the trial court, in considering a postal offense involving an allegedly obscene book instructed the jury (at p. 666):

"Matter is obscene, lewd or lascivious within the meaning of the quoted statute, if it is offensive to the common sense of decency and modesty of the community and it must suggest or arouse sexual desires or thoughts in the minds of those who by means thereof may be depraved or corrupted in that regard."

Upon request of the jury, an additional instruction was given, as follows (p. 667):

"You are instructed that the words 'obscene, lewd or lascivious' as used in the statute . . . have the meaning of that which

"is offensive to chastity and modesty. They mean that form of indecency which is calculated to promote the general corruption of morals."

See also Verner v. United States, 9 Cir. 1950, 183 F.2d 184, 185.

In a most thorough opinion by the late John R. Ross, District Judge for the District of Nevada, this Court, in One, Inc. v. Olesen, 9 Cir. 1957, 241 F.2d 772, reversed per curiam 355 U.S. 371, 2 L. Ed. 2d 352, 78 S. Ct. 364, noted, at page 775, that such words as obscene and indecent are

"Words of common usage and meaning. In considering the scope and meaning of the words the courts have, through the course of the years, given to such words legal definitions and distinctions following very closely, if not precisely, the definitions and distinctions found in the recognized standard dictionaries."

The terse reversal of the Court's decision in One, Inc., was considered in Eastman Kodak Co. v. Hendricks, 9 Cir. 1958, 262 F.2d 392, 396. This was a replevin action for the recovery of certain movie film which the Kodak company had, upon developing,

refused to deliver to the sender, being fearful of violating the California obscenity statutes.

In referring to One, Inc., the Court stated, at page 396:

"To this Court, the contents of the publication seemed clearly objectionable as 'obscenity', just as 'hard core' pornography would be, and had little doubt that most people would so regard it. This Court simply takes the view that the only sensible explanation of the reversal of One, Inc. is the Supreme Court decided 'the wrong yardstick' was used."

In pondering the effect of the reversal of One, Inc., and other cases in comparison with the affirmance of Roth, supra, and related cases, the Court stated, at page 397:

"It may be to oversimplify, but it looks . . . as if 'prurient' is to be the talisman. And out of 'prurient' it would seem that obscenity is shifting from the standard of distasteful to a majority of people to a standard of disgusting, really lewd, shameful, or excites morbid interest in sex. Perhaps

"the shift is from 'bad' to 'awful'."

The Court goes on to note, however, that there may be a tendency on behalf of the Supreme Court to apply a stricter yardstick in cases where advance suppression of material is involved than in cases involving criminal convictions for the same material.

It appears that the most recent determination of this Court is Ackerman v. United States, 9 Cir. 1961, 293 F.2d 449, where a conviction under Section 1461 for mailing obscene matter was affirmed, the Court noting that the Roth standard had clearly been met, the matter involved being hard core pornography.

As indicated before, Appellee's position is that the words used by the Appellant over the air were obscene and indecent in themselves. His motive in using them, and the possibility that they were used in anger have no redeeming effect, and they must be termed either obscene or indecent within the meaning of the statute if the purpose of Congress to protect the radio public is to be given any meaning at all.

Appellee has not attempted to set out any extensive written argument on the question of whether Appellant's utterance, "God damn it" is proven within the meaning of Section 1464, but Appellee does not thereby intend to waive anything. It is merely felt that the remaining objectionable language used by the Appellant would be more offensive to the average person hearing it, and thereby is deserving of more extensive discussion.

3. ALTHOUGH IT WAS ERROR FOR THE TRIAL

COURT TO COMMUNICATE WITH THE JURY IN THE ABSENCE OF
APPELLANT AND COUNSEL, THE APPELLANT WAS NOT PREJUDICED
THEREBY.

Appellant urges (opening brief, pp. 34-39) that prejudicial and reversible error was committed when the trial court communicated with the jury out of the presence of counsel and the defendant.

After the jury had retired to deliberate, it sent a written note to the judge requesting a dictionary. The court replied,

"I am sorry but you cannot have a dictionary. You must rely entirely upon the instructions of the Court in considering the evidence in the case." (R. 15).

Thereafter, the jury inquired, in writing,

"Are we to determine the intention of the use of profane and/or obscene language or just the use of the words over a citizen band radio?"

The Court replied:

"You are to only concern yourself with whether the Defendant used Obscene, Indecent or Profane language over the radio. You are not to concern yourself with the reasons or motive for such use." (R. 16)..

As to each communication, Appellee must concede there was error, if for no other reason than that the appellant was not present. It is submitted, however, that unless there was some real prejudice to the Appellant, such error should not necessarily result in the reversal of the conviction.

It is submitted without authority that the Appellant was not prejudiced by the refusal of the trial court to supply a dictionary to the jury.

As to the second communication, there is of course a serious question.

The Supreme Court considered a similar matter in Fillippon v. Albion Vein Slate Co., 1919, 250 U.S. 76, 63 L. Ed. 853, 39 S. Ct. 435.

There the trial court, in a negligence case

gave a written instruction to the jury on the question of contributory negligence in the absence of counsel and the parties. There, it was held that such conduct was erroneous and the case was ordered remanded.

In Shields v. United States, 1927, 273 U. S. 583, 71 L. Ed. 787, 47 S. Ct. 478, the trial court, out of the presence of the defendants and counsel, received a jury verdict as to certain defendants and instructed the jury to continue to deliberate concerning the guilt or innocence of other defendants as to whom the jury had disagreement. The conviction of Shields was reversed.

In United States v. Compagna, 2 Cir. 1944, 146 F.2d 524, cert. den. 324 U.S. 867, 89 L. Ed. 1422, 65 S. Ct. 912, Judge Hand wrote the decision which concerned the trial judge who, in responding to a request by the jury for the reading back of certain testimony, stopped in the jury room and inquired as to what they desired, and told them that they could go to lunch and have the testimony read back subsequently. The Court stated, at page 528:

". . . it is most undesirable that anything should reach a jury which does not do so in the courtroom. This is, indeed, too well settled for debate . . . But, like other rules for the conduct of trials, it is not an end in itself; and, while lapses should be closely scrutinized, when it appears with certainty that no harm has been done, it would be the merest pedantry to insist upon procedural regularity. . . . There cannot be the slightest doubt here that the informality--for, at most, it was no more--did not prejudice the accused."

This court has considered the problem, so far as the writer can determine, on two occasions. In Ah Fook Chang v. United States, 9 Cir. 1937, 91 F.2d 805, one of the questions raised was the trial court's communication to the jury foreman in chambers, concerning the effect of a confession. The Court stated, at page 810:

" It is error for the court to instruct or communicate with the jury in the absence of counsel and without notice to them."

The Court went on to state,

"Not all error, however, is reversible error. If the record shows affirmatively that the Appellant was prejudiced, there is reversible error . . . on the other hand, if the record shows affirmatively that appellant was not prejudiced, then the error does not require reversal . . . finally, if the record shows error, but does not disclose whether the error is prejudicial or whether it is not prejudicial, it is presumed to be prejudicial and to require reversal."

This Court again faced the question in Ferrari v. United States, 9 Cir. 1957, 244 F.2d 132, cert. den. 355 U. S. 873, 2 L. Ed. 2d, 78, 78 S. Ct. 125, where the jury requested certain records and the Court replied that they were unavailable and not in evidence and thus the jury could not have them. The Court determined that such was not a new instruction nor even a statement of law. The Court held that the error, if any, was not reversible, and the conviction was affirmed.

Other circuits, notably the District of Columbia, the Third, Fifth, Sixth and Tenth Circuits have also had occasion to consider similar situations.

In Jones v. United States, D.C. App.

1962, 308 F.2d 307, the Court, having already found error, noted, at page 311, that there was correspondence between the judge and jury without notice to counsel. The note was thereafter lost and the Court merely stated,

"It is obvious error to instruct the jury without notice to counsel. Proper procedure requires that a jury be instructed in the courtroom in the presence of counsel and the defendant, and that counsel be given opportunity to except to the additional instruction." (Footnote omitted).

Later that same circuit considered Walker v. United States, D. C. App. 1963, 322 F.2d 434, cert. den. 375 U.S. 976, 11 L. Ed. 2d 421, 84 S. Ct. 494. There, the court, in response to an inquiry from the jury, had certain testimony read back to him, whereupon he notified the jury as to his conclusions from the testimony. The Court did not find prejudice under either Rule 43 of the Criminal Rules of Procedure nor Rule 52(a). It cited, at page 436, the state case of LaGuardia v. State, 190 Md. 765, 58

A.2d 913, 917 (1948):

" . . . If the record shows affirmatively that the Appellant was prejudiced by an improper communication of the judge with the jury, there is reversible error; and also . . . if the record shows error by such communication but does not show whether or not the error was prejudicial, it is presumed to be prejudicial and requires a reversal . . . On the other ahdn if the record shows affirmatively that the communication had no 'tendency to influence the verdict' . . . the judge's impropriety in communicating with the jury out of the presence of the defendant does not require a reversal. . . . "

There have been three occasions for the matter to be dealt with by the Third Circuit. In Arrington v. Robertson, 3 Cir. 1940, 114 F.2d 821, the court held that it was a denial of due process for the trial judge to send instructions to the jury in the absence of defendant or counsel and without notice and an opportunity to be present. The Court stated, at page 823:

"We hold that it was the denial of a right so fundamental as necessarily to affect the substantial rights of the defendant, regardless of the nature or propriety of the instruction given."

In United States v. Noble, 3 Cir. 1946, 155 F.2d 315, the trial court apparently sent some written material out with the jury to read if they desired, rather than including such material in his charge to the jury, and the Court stated, at page 318:

"For not only are counsel and the defendant entitled to hear the instructions in order that they may, if they are incorrect object to them and secure their prompt correction by the trial judge, but it is equally important to make as

"certain as may be possible that each member of the jury has actually received the instructions. It is therefore essential that all instructions to the jury be given by the trial judge orally in the presence of counsel and the defendant."

In United States v. Neal, 3 Cir. 1963, 320 F.2d 533, the trial court received an inquiry from the jury as to whether it could recommend leniency, and the judge replied in the absence of the defendant. The Court, citing Rule 43 of the Federal Rules of Criminal Procedure, Evans v. United States, infra, and United States v. Noble, supra, reversed the conviction and remanded the matter to the trial court.

From the foregoing three cases, it becomes quite apparent that the rule in the Third Circuit is one of strict adherence to the requirement that the defendant be present at all stages of the proceedings.

In the Fifth Circuit, in Outlaw v. United States, 5 Cir. 1936, 81 F.2d 805, cert. den. 298 U.S. 665, 80 L. Ed. 1389, 56 S. Ct. 747, dealt with a situation where the jury had been charged orally and after considerable deliberation requested a copy of the charge which they had been given. The trial judge

had the same prepared by the stenographer and sent to the jury without the knowledge of defendant and his counsel. The court ruled (at page 808), that inasmuch as the written instruction was no different from the oral charge, there was no prejudice requiring reversal. In doing so it noted, at page 808:

"It is a misconduct for the judge to hold any important communication with the jury regarding the case unless openly and with opportunity to the accused to be present and to object. Private communications, however harmless in themselves, may open the way to abuse and may destroy the confidence of the accused and of the public in the fairness of the trial. By the great weight of authority, they constitute error, especially in a criminal trial."

The Court of Appeals for the Sixth Circuit reversed a conviction where the trial judge had given additional instructions to the jury in the defendant's absence, the defendant being in the custody of the marshal, although his attorney was present. In Evans v. United States, 6 Cir. 1960, 284 F.2d 393, that

Court ruled,

"The instructions given did not relate to trivial, inconsequential matters, but involved vital issues in the case. In our judgment, the failure to require the defendant's presence in court when the instructions were given affected his substantial rights and was prejudicial error."

It is indicated that the result might have been otherwise, had there been an absence of prejudice.

In Fina v. United States, 10 Cir. 1931, 46 F.2d 643, the Court held that the response to a jury's inquiry in open court but in the absence of and without notification to the defendant or his counsel, was reversible error, even if no actual prejudice was shown.

Later, in Little v. United States, 10 Cir. 1934, 73 F.2d 861, that court stated, where the court stenographer had been sent to the jury room to read the court's charge, in the absence of defendant and his counsel,

"We conclude that where the entire record affirmatively discloses that an error has not affected the substantial rights of an appellant, it will be disregarded. But where error occurs which, within the range of a reasonable possibility, may have affected the verdict of the jury, appellant is not required to explore the minds of the jurors in an effort to prove that it did, in fact, influence their verdict . . . The record, failing affirmatively to disclose that no prejudice did result, the verdict cannot stand." (73 F.2d at 866.)

In Jones v. United States, 10 Cir. 1962, 299 F.2d 661, the Court of Appeals for the Tenth Circuit qualified its earlier holdings. There, a juror, after the jury had commenced deliberations, made inquiry concerning an instruction, which the court answered in the absence of the defendant, but in the presence of his counsel. The Court stated, at page 662:

" . . . We can let stand no conviction where the defendant was not present at all stages of the proceedings, unless the record completely negatives any reasonable possibility of prejudice arising from such error. Our review of the record here convinces us that there is no reasonable possibility of prejudice to Appellant in the instant case. The judgment in the lower court is affirmed."

The Court's attention is also called to the Annotation contained at 94 A.L.R.2d, 270. There are set forth there numerous state decisions and additional federal decisions on the question of instructing a jury in the defendant's absence.

The writer has endeavored to present to the Court the existing case law on the question dealt with in this portion of the argument.

It would be presumptuous to attempt to persuade this Court that the record herein affirmatively shows that the Appellant was not prejudiced; certainly it is a matter of degree and conceivably the case falls within the Court's language in Ah Fook Chang, supra,

where it was stated that if the record discloses the error but not whether it was prejudicial, then it is presumed prejudicial.

4. APPELLANT'S MOTION FOR JUDGMENT OF

ACQUITTAL WAS PROPERLY DENIED.

Appellant urges (opening brief, pp. 40-46) that error was committed by the trial court's failure to grant his motions for acquittal.

Following the holding of Glasser v. United States, 1941, 315 U.S. 60, 86 L. Ed. 680, 62 S. Ct. 457, the evidence must be examined in the light most favorable to the Appellee. When this is done, it is respectfully submitted, the evidence more than adequately justified the trial court's denial of the motions for acquittal. Reference is made to the Appellee's Statement of the Case, pp. 1-7, supra.

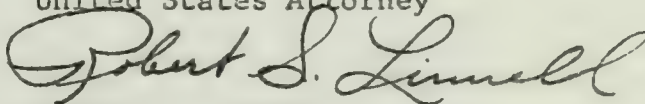
V.

CONCLUSION

In view of the foregoing arguments, and based upon the entire record herein, it is respectfully submitted that the judgment of conviction of the District Court should be affirmed. With respect to the arguments concerning the Court's communication to the jury in the absence of Appellant and counsel, Appellee's position is merely that a determination is necessary by this court as to whether an absence of prejudice appears affirmatively from the record. Appellee has not discussed herein the correctness of the supplemental instruction given the jury, but does urge that it was legally accurate and really added little, if anything, to the charge as originally given.

Respectfully submitted,

JOSEPH L. WARD
United States Attorney

A handwritten signature in cursive script, reading "Robert S. Linnell".

ROBERT S. LINNELL
Assistant United States Attorney

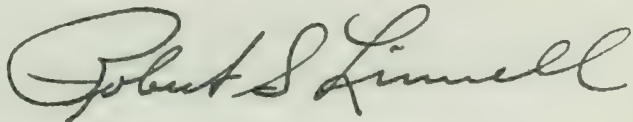
Attorneys for Appellee

Dated at Las Vegas, Nevada, April 4, 1966.

VI.

CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

A handwritten signature in cursive script, reading "Robert S. Linnell". The signature is written in dark ink and is positioned above the printed name and title.

Assistant United States Attorney
Attorney for Appellee

RECEIPT

RECEIPT of a copy of Appellee's Answering
Brief is hereby acknowledged this 4th day of April,
1966.

HARRY E. CLAIBORNE

S/ Harry E. Claiborne

Attorney for Appellant

FEB 14 1967

IN THE UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

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DMNIC PETER GAGLIARDO,)
)
Appellant,)
)
vs.)
)
ED STATES OF AMERICA,)
)
Appellee.)

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA

APPELLANT'S REPLY BRIEF

HARRY E. CLAIRBORNE
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Las Vegas, Nevada

ATTORNEY FOR APPELLANT

FILED

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WM. D. LUCK, CLERK

No. 20458

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vs.)
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ARGUMENT

POINT ONE

TITLE 18, SECTION 1464, UNITED STATES CODE, VIOLATES THE
FIFTH AMENDMENT OF THE CONSTITUTION OF THE UNITED STATES
AS AN ATTEMPT TO EXERCISE POLICE POWER NOT BELONGING TO
THE CONGRESS BUT RESERVED TO THE STATES.

The Government makes a two-pronged attempt to support the constitutionality of the provision of the Federal Criminal Code under which appellant was indicted, 18 U.S.C. Sec. 1464, providing:

"Whoever utters any obscene, indecent or profane language by means of radio communication shall be fined not more than \$10,000 or imprisoned not more than two years, or both."

In its first tack, the Government contends that the record of this case contains evidence that the radio transmission "travelled beyond the boundaries of the State of Nevada" and was capable at least of being received in other States. The Government concedes there is no evidence that the transmission was heard in any State other than Nevada. (Answer Brief p.10). In the second place, the Government asserts that if it be assumed for the sake of argument that the radio communication involved in this case was purely intrastate in character, this intrastate communication is properly the subject for an exercise of federal police power



because:

(a) The Communications Act has pre-empted the field as to all radio communication, regardless of the presence or absence of interstate character;

(b) A line of federal cases dealing with the suppression of evidence obtained by illegal interception of communications and prosecutions based upon such illegal interceptions; and

(c) A further line of federal cases dealing with licensure of radio broadcasters.

There is hereafter set forth the testimony cited by the Government in support of its contention that the radio transmissions involved in this case were of an interstate character or were, at least, capable of being received outside the State of Nevada.

The witness Weldon Empey testified regarding his mobile unit:

"Q How far will your unit reach?

A Well, under the right conditions, possibly direct line of sight would be approximately about sixty or seventy miles.

Q Sixty or seventy miles?

A Yes, sir.

Q Your set will reach that far?

A Yes, sir.

Q What wattage is it?

A It is three and a half watts output. It is legal.



"Q Three and a half watts?

A Yes, sir.

Q Can you communicate accurately that far?

A Not that far, no, sir.

Q In other words, rather accidentally, under perfect conditions, I mean, you might be able to hear someone?

A Under perfect conditions and locations, height makes a difference, if you are talking mobile. I say mobile because at that distance there is no ground stations and it would all be mobile.

Q Three and a half watt system is used to talk to people carrying on a conversation?

A Yes, sir.

Q Within the same city?

A Yes, sir. Actually, the legal ground wave is a hundred fifty miles and that is considered, if you would like me to elaborate, that is two hundred and ten thousand foot beats.

Q You would need special equipment?

A No, sir. If you was on correct locations, it is possible to transmit and receive that far under ideal conditions.

Q Not under normal conditions?

A Not under normal, no.

Q Under normal conditions, it is used to communicate just in the vicinity?

A Yes, sir.

"Q Say the City of Las Vegas and Henderson?

A Yes.

MR. CLAIBORNE: That's all." (T. 28 & 29).

The witness Francis L. Fuson testified as follows:

"Q Mr. Fuson, you have testified that the normal range of one of these transmitters three and a half watts, is it, or volts?

A The FCC rules specifications makes it five watts input, which averages out to about three and a half watts or less output.

Q You testified that the normal range of one of these units is ten to twenty-five miles; is that correct?

A That is what the manufacturer of the equipment claims for them. There are some spectacular results occasionally, however.

Q Well, then, when you said it was ten to twenty-five miles normally, are you testifying from your knowledge and experience or from what you have read somewhere?

A I am testifying from my knowledge and experience and what the manufacturers claim.

Q Under the ideal conditions, what, if you know, would be the maximum range of one of these units?

A Well, I think--

Q Approximately?

A --what you are thinking of, there is a condition that they call "skip", and this is an atmospheric condition.

"It is caused by sun spots and at times, under good skip conditions, a Citizen's Band operator can talk four thousand or five thousand miles with no trouble at all, but this is a sporadic condition.

Q Under ideal conditions and perhaps not as extreme as what you refer to as "skip", would it be possible to communicate up to eighty or ninety miles?

A It is possible under good conditions. It is being done quite frequently with the use of what they call directional beam antennas and high towers.

Q As to receiving one of these transmissions, Mr. Fuson, if a three and a half watt output transmitter is being used, would the size of the receiver make any difference, or the power in the receiver as to whether or not a communication from one of these transmitters we have been referring to could be picked up?

A Oh, yes, very definitely. The manufacturer of the receiver can design into the thing any sensitivity that he wants and they state the sensitivity in their brochures and there is a vast difference between a good receiver and a cheap receiver.

Q So, that depending on the type of receiver, you might have been able to pick up a transmission further away than somebody with a different receiver?

A That's right." (T. 88-90).

It is the contention of appellant that this evidence, sofar as it reflects a possibility of interstate communication



of the transmission in question, is nothing but speculation and conjecture, and is wholly insufficient to establish federal criminal jurisdiction which, of course, the Government had the burden of establishing beyond any reasonable doubt.

Authorities dealing with the suppression of evidence in federal courts are not persuasive when it comes to determining whether a provision of the Federal Criminal Code is referable to the exercise of any substantive power conferred upon the Federal Government by the Constitution due to the obvious consideration that Congress and the federal courts are amply vested with power to establish and enforce laws, regulations and rules of procedure in the trial of federal criminal cases. See

NARDONE v. UNITED STATES, 302 U.S. 379,
58 S.Ct. 275, 82 L.Ed. 314.

Authorities in this category and thus to be distinguished are exemplified by

WEISS v. UNITED STATES, 308 U.S. 321,
60 S.Ct. 269, 84 L.Ed. 298,

and

BENANTI v. UNITED STATES, 355 U.S. 96,
78 S.Ct. 155, 2 L.Ed.2d 126

where convictions respectively for mail fraud and illegal possession and transportation of distilled spirits based on evidence illegally obtained by wire tapping were reversed although the particular intercepted communication used to establish the substantive offense was intrastate in character.



The rational of these decisions is that the intrastate communications were inseparably connected with interstate communications flowing over the same telephone lines and the protection of interstate communications in order to be effective required control over intrastate communications.

In the cases of

UNITED STATES v. SUGDEN, 9th Circuit 1955,
226 F.2d 281, affirmed per curiam 351 U.S. 916,
100 L.Ed. 1449, 76 S.Ct. 709

and

UNITED STATES v. FULLER, N.D.Cal. 1962,
202 F.Supp. 356,

the courts were concerned with radio communication. In the SUGDEN case, intercepted radio communications broadcast by unlicensed operators were not protected against publication, whereas radio communications by licensed operators were protected and divulgence of the first will be allowed and denied as to the second.

In the FULLER case, a prosecution for unauthorized interception of radio communications, a question as to the private character of the communication was held not properly to be decided on a motion to dismiss an Information.

The SUGDEN case is explicitly dealing with a rule of evidence derived by judicial construction from the prohibition against illegal interception of communications.

The FULLER case recognizes that radio communications are specifically protected by Section 605 of the Communications

t except for communications which are public in nature.

e decision does not deal with a contention that inter-
ption of intrastate communication is valid.

The cases relied upon by the Government as to
censure of radio outlets as to predominantly intrastate
operations are not persuasive either that Congress has the
authority to make an exercise of classical police power as
intrastate broadcasts because it is apparant that an
orderly system of allocation and use of wave frequencies
governed by a central authority is necessary to the effective
regulation of interstate radio communication; but this is not
to say that the Federal Government, separate and apart from
anything contained in the Communications Act, can make an
exercise of a police power which both in broad terms and in its
application to this prosecution is unrelated to interstate
communication or any other area of federal authority. The
assertion by the Government that 18 U.S.C. 1464 is to be
considered a part of the Communications Act not supported by
a reference to any authority whatever is in flat contra-
diction of the legislative history detailed in appellant's
opening Brief.

Sections 151, 152 and 301 of 47 U.S.C.A. enacted
in the Communications Act of 1934 specifically recognize the
jurisdiction of the States of intrastate communications.
Section 151 declares the purpose of the Act to be to regulate
interstate and foreign commerce in communication by wire and
radio. Section 152 specifically provides that subject to the

provisions of Section 301, the Act is not to be construed to apply to changes, classifications, practices, services, facilities or regulations for or in connection with intrastate communication service by wire or radio. Section 301 dealing with licenses declares the purpose of the legislation to be, among other things, the maintenance of control over interstate and foreign radio transmission. Licensing is authorized for communications within a State only when the effects of such use extend beyond the borders of that State or when interference with interstate or foreign communication is caused by such use or operation.

47 U.S.C.A. Section 326 provides the Communications Act shall not be understood or construed to give the Federal Communications Commission power of censorship over radio communications.

On the basis of the clear declaration of purpose and the clear restriction of the Act to the regulation of interstate and foreign commerce, numerous cases have held that communications taking place within a single State are intrastate in nature and it was the Congressional intent to reserve to the several States the right to regulate such intrastate services rather than to pre-empt the field, as held, for example in,

INDEPENDENT THEATER OWNERS OF ARKANSAS v.

ARKANSAS PUBLIC SERVICE COMMISSION, 1962

361 SW2d, 642,

RADIO TELEPHONE COMMUNICATIONS, INC. v.

SOUTHEASTERN TEL. CO., Fla. 1964,

170 So.2d 577

nd
BELL TEL. CO. v. PUBLIC SERVICE COMMISSION,

70 Nev. 25, 253 P.2d 602.

Coming even closer to the particular matter at

issue is

STATE v. WESTERN UNION TEL. CO., 12 N.J. 468,

97 A.2d 480

a telegraph company which habitually received and transmitted through its office bets on horse races through a medium of telegraphic money orders and messages, and paid at the office the winnings on the bets less the cost of the telegrams. Having knowledge of the nature of the telegraphic messages as a common law disorderly house subject to indictment and prosecution under State law. The claim that such prosecution placed an undue burden on interstate commerce was rejected by the court on the ground that the operation being illegal, it could not legitimately be classified as interstate commerce even though all the messages passed through Pennsylvania under the system of communication in effect. An appeal of this case was dismissed by the United States Supreme Court for the want of a substantial federal question.

346 U.S. 869, 74 S.Ct. 124

To the same effect, the State may prohibit price advertising on eyeglasses in the exercise of State police power even though advertising is by radio communication which extends beyond the border of a State.

HEAD v. NEW MEXICO BOARD OF EXAMINERS IN OPTOMETRY,

374 U.S. 424, 83 S.Ct. 1759, 10 L.Ed.2d 983.

The only case in the United States which has dealt directly with the broadcasting of obscene, indecent or profane language by radio communication is

DUNCAN v. UNITED STATES, C.A.9th, 1931,

48 F.2d 123

in a prosecution brought under the provisions of the Radio Act of 1927, in which case the indictment specifically charged the communication was by interstate radio transmission. 18 U.S.C. Sec. 1464 is not part of the Federal Communications Act. It is part of the general Federal Criminal Code. By its terms, it is not referable to the lawful exercise of any federal power granted by the Constitution and in its application to this case it is an unconstitutional assertion of police power reserved to the State of Nevada under the Tenth Amendment of the Constitution of the United States.

In

HEAD v. NEW MEXICO BOARD OF EXAMINERS IN OPTOMETRY,

supra.

The Government's argument in this case as to pre-emption of the field and federal criminal jurisdiction over intrastate conduct is thoroughly blasted in the following language:

"In dealing with the contention that New Mexico's jurisdiction to regulate radio advertising has been preempted by the Federal Communications Act, we may begin by noting that the validity of this claim cannot be judged by reference to broad statements about the 'comprehensive' nature of federal regulation under the Federal Communications Act.

regulations concerning the subject of advertising for the guidance of broadcasters. (Citing cases.) This grant of federal power, it is argued, is sufficient to oust state regulations of radio advertising.

"Assuming this to be a correct statement of the Commission's authority, we are nevertheless not persuaded that the federal legislation in this field has excluded the application of a state law of the kind here involved. The nature of the regulatory power given to the federal agency convinces us that Congress could not have intended its grant of authority to supplant all the detailed state regulation of professional advertising practices, particularly when the grant of power to the Commission was accompanied by no substantive standard other than the 'public interest, convenience, and necessity.' The Solicitor General has conceded that the power of license revocation is not a plausible substitute for state law dealing with 'traditional' torts or crimes committed through the use of radio. We can find no material difference with respect to the less 'traditional' statutory violation here involved. In the absence of positive evidence of legislative intent to the contrary, we cannot believe Congress has ousted the States from an area of such fundamentally local concern."

POINT TWO

THE TRIAL COURT REFUSED TO INSTRUCT THE JURY ON APPELLANT'S THEORY OF THE CASE AND REFUSED TO CHARGE THE JURY AS TO THE CORRECT TEST AS TO WHAT CONSTITUTES THE USE OF OBSCENE AND INDECENT LANGUAGE WITHIN THE MEANING OF THE LAW.

The rather extended dissertation by the Government in Point Two of its Answer Brief is not responsive to the challenge made by the appellant to the inadequacy of the instruction given by the court on the meaning of obscene or indecent language under 18 U.S.C. 1464. Appellant's position is that the meaning of obscene and indecent words is to be determined from two perspectives by the jury. The first perspective is whether or not the language used is calculated to excite animal or corrupt passion, and the second is whether it may, in fact, fairly be said to have that affect upon the minds of the hearers. In

DUNCAN v. UNITED STATES, CA 9th 1931,

48 F.2d 128

the instruction given by the court defining an obscene word as being proscribed as to the average person applying contemporary community standards the word or words have to do with the prurient, the lewd or the lascivious. Obviously, words may "have to do" with the prurient, lewd or the lascivious without being calculated to arouse a libidinous or corrupt thought in the mind of the hearer. The case of

deals with the scienter in the publication of allegedly obscene booklets. It is there pointed out that the Constitution requires proof of scienter to avoid the hazard of self-censorship of constitutionally protected material and to compensate for the ambiguities inherited in the definition of obscenity. In this regard, it is calculated purveyance of obscene and indecent literature or language which is to be struck down by the penal law and no other. See also

holding, among other things, that the question of obscenity may include the consideration of the setting or surrounding circumstances in which the alleged publication of obscene materials took place. The court's instruction wholly failed to direct the attention of the jury to the issue of scienter and to the particular effect for the language must sufficient to bring about in the minds of the hearers.

Additionally, the court gave no instruction on what constituted indecent language and as heretofore pointed out, in appellant's brief in chief, the uncertainty of the jury on this point is reflected by their request for a dictionary and, therefore, the puzzlement is expressed in the message inquired whether or not they were to determine with what intention the language was used in the broadcast.

The authorities set forth by the Government on this point support the contention of the appellant.

POINT THREE

APPELLANT'S CONVICTION MUST BE REVERSED
BECAUSE OF PREJUDICIAL COMMUNICATIONS AND
INSTRUCTIONS MADE PRIVATELY TO THE JURY
BY THE TRIAL JUDGE.

The Government, in response to the charge of error made under this point admits that it was error for the trial court to communicate with the jury in the absence of the defendant and his attorney but contends that the appellant was not prejudiced thereby. The authorities relied upon by the Government are divisible by circuits into those jurisdictions in which the appellant is protected in his right to be present at every proceeding in the trial and holding that any such private communication is error, reversible error, without any inquiry as to prejudice and those circuits where prejudice is presumed in the absence of an affirmative showing by the government that prejudice did not result. The latter holding is reflected by decisions of this Honorable Court in

AH FOOK CHANG v. UNITED STATES, 1937

91 F.2d 805

discussed in the Opening Brief. On this appeal, nothing whatever has been presented by the Government by way of making an affirmative showing that prejudice did not result to the appellant. At the conclusion of the point, the Government forthrightly declares: "It would be presumptuous to attempt to persuade this court that the record herein affirmatively shows that the appellant was not prejudiced". The Government

further concedes that this case properly falls under the rule of

AH FOOK CHANG, supra

in which prejudice is presumed. The appellant's conviction must be reversed.

POINT FOUR

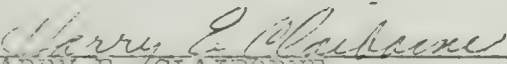
THE EVIDENCE ESTABLISHED, AS A MATTER OF LAW, THAT THE APPELLANT WAS NOT GUILTY OF THE CRIME CHARGED, AND HE IS ENTITLED TO A JUDGMENT OF ACQUITTAL.

The Government has made no serious attempt to meet the argument of the appellant made under this point in the Opening Brief. Abiding by the rule that the evidence must be considered in the light most favorable to the Government to sustain a conviction, the record in this case is devoid of a showing of the kind of conduct on the part of the appellant which would bring him within the ambit of 18 U.S.C. 1464. The most that the record shows is that in the close of a heated quarrel, both the appellant and the chief witness for the prosecution, Larry Sartain, the defendant, lacking discretion, resorted to a choice of language universally used to express anger by insulting the object of that anger in terms of sexual derision. Finally, taking the language used in the context in which it was used, there can be no serious contention that it was profane under the applicable standard for profanity.

CONCLUSION

The conviction of the appellant must be reversed by reason of the prejudicial error which vitiates his trial. But it is moreover the contention of the appellant that the case should be here dismissed by reason of the constitutional invalidity of 18 U.S.C. 1464 and by reason of the fact that the record shows as a matter of law that the appellant was entitled to an acquittal.

Respectfully submitted,

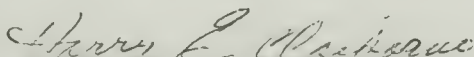

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CERTIFICATE

I hereby certify that in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

This brief is mailed to the court without proof of service, but service will be made in person on appellee in Las Vegas, Nevada on Monday, April 25, 1966, and proof thereof later forwarded to this court.


HARRY E. CLAIBORNE
ANNETTE QUINTANA
ATTORNEYS FOR APPELLANT

No. 20458

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FOR THE NINTH CIRCUIT

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DOMINIC PETER GAGLIARDO,

Appellant,

v.s.

UNITED STATES OF AMERICA,

Appellee.

ACKNOWLEDGMENT OF SERVICE

RECEIPT OF THREE COPIES of Appellant's Reply Brief

in the above entitled appeal is hereby acknowledged this

25th day of April, 1966.

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FEB 14 1967

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UNITED STATES OF AMERICA,)
)
Appellee.)

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STATUTES

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On Thursday, June 30, 1966, oral arguments were heard in this appeal before Judges Hamlin, Browning and Koelsch. At the conclusion of the Appellee's argument Government counsel was requested to file a supplementary brief explaining the position adopted in the Appellee's oral presentation.

Initially, with regard to the communications from the trial judge to the jury outside the defendant's presence, it is the Government's position that the first note denying the jury the use of a dictionary neither added nor detracted from the instructions given in open court and thus the record affirmatively establishes that the Appellant was not prejudiced thereby (R.15)¹ . However with regard to the second note instructing the jury to disregard the defendant's reasons or motives for using objectionable language (R.16), the Government cannot contend that lack of prejudice is affirmatively demonstrated by the record. Under applicable precedents, the validity of which the

¹ "R" as used herein refers to the Record on Appeal.

Government does not dispute, such as Ah Fook Chang v. United States, 91 F.2d 805 (9th Cir. 1937) prejudice can be presumed and a reversal of the conviction ordered.

Assuming that Appellant's conviction may be reversed, the next question is whether the granting of a new trial is proper or whether the case should be remanded with instructions to dismiss the indictment. In this connection the principal issues are whether the applicable statute, Title 18, United States Code, Section 1464, is unconstitutional as Appellant claims, and whether the language described² in the trial transcript (T. 11,12,23,34,35,48,54) can be said to be obscene, indecent or profane.

With regard to the first point, i.e. whether Section 1464 of Title 18 unconstitutionally encroaches upon the powers reserved to the states under the Tenth Amendment, the Appellee's Answering Brief sets forth numerous and what are felt to be convincing

2

"T" as used herein refers to the Reporter's Transcript of Proceedings.

authorities which establish congressional power over the type of broadcast involved here, e.g. United States v. Sugden, 226 F. 2d 281 (9th Cir. 1955), affirmed per curiam 351 U.S. 916; United States v. Fuller, 202 F. Supp. 356 (N.D. Cal. 1962). Moreover the record below demonstrates the logic of federal regulation of these broadcasts, as there is ample testimony that they could be picked up on receiving sets at distances of from sixty to seventy miles (T.28), eighty to ninety miles (T.90), and even up to four or five thousand miles (T.89) under exceptional circumstances. Obviously such far-reaching broadcasts can interfere with and be a burden on communications in other states and across state lines, and therefore are reasonably within the interstate commerce powers of the Congress.

Assuming that Section 1464 of Title 18 is in fact constitutional a more complex question arises -- whether the language described in the transcript can be said to be obscene, indecent or profane within

the meaning of Section 1464. Obviously enough, if that language cannot be said as a matter of law to violate any of the terms of Section 1464 then the indictment should be dismissed. However the Government believes that this language does violate the statute and that a new trial is proper. Section 1464 of Title 18 provides that:

"Whoever utters any obscene, indecent, or profane language by means of radio communication shall be fined not more than \$10,000 or imprisoned not more than two years, or both."

In 1896 the case of Swearingen v. United States, 161 U.S. 446, was decided by the Supreme Court, which held that the term obscene as used in a postal obscenity statute prohibiting the mailing of "every obscene, lewd or lascivious book, pamphlet, picture, paper, writing or other publication of an indecent character . . ." (161 U.S. 446 at 449)

necessarily required a lust inciting element, and that vulgarity could not be obscene unless sexually corrupting (161 U.S. at 450-451).

In 1931 the Ninth Circuit, in the case of Duncan v. United States, 48 F.2d 128, cert. den. 283 U.S. 863 (9th Cir. 1931) construed the predecessor statute to Section 1464 of Title 18, which was then Section 109 of Title 47, and which provided that:

" . . . No person within the jurisdiction of the United States shall utter any obscene, indecent, or profane language by means of radio communications."

The Court in Duncan held that the statute proscribed only profane or lust inciting language, and that the term "indecent" was synonymous with "obscene" and did not apply to offensive language, no matter how coarse, vulgar and indecent in the popular sense of the term, unless it had a tendency to excite passion and to corrupt morals. Since the language invoked in Duncan tended to excite anger and to defame,

rather than to arouse feelings of a lascivious nature, it was held not to be obscene or indecent.

One year after the Duncan case the Supreme Court decided United States v. Limehouse, 285 U.S. 424 (1932) which held the term "filthy" under the postal obscenity statute prohibiting the mailing of "every obscene, lewd, or lascivious, and every filthy book . . . or other publication of an indecent character" included crude, vulgar and offensive sexual terminology even though it had no lust inciting effect.

Referring to the broadcasts involved in this present case, it is obvious that the language would tend to excite anger and disgust rather than lust, and under the ruling in Duncan v. United States, supra, would therefore be neither obscene nor indecent. Admittedly the Swearingen decision and the more recent cases of Roth v. United States, 354 U.S. 476 (1957); Ginzburg v. United States, 383 U.S. 463 (1966); and

Mishkin v. New York, 383 U.S. 502 (1966) do effectively restrict the meaning of obscene to "lascivious" or "lust inciting". However in view of the Limehouse decision cited above, which permitted punishment for non-obscene filth, and considering the necessity of controlling the type of foul and offensive broadcasts involved in this case, it would seem that a reappraisal of the Duncan decision would be timely and proper.

It is the Government's position that the Duncan decision wrongly equated "indecent" with "obscene" and thereby unduly restricted the application of Section 1464 in a manner inconsistent with the plain meaning of that statute. Section 1464 clearly was not intended to reach only lascivious or lust inciting language, for it identifies three categories of objectionable material, each separately punctuated, i.e. " . . . any obscene, indecent, or profane language . . .". Obviously the category of

profane language is not synonymous in common understanding with that of obscenity and has never been so considered under Section 1464, e.g. Duncan v. United States, supra. Similarly indecent language has a broader meaning in common language than does obscene, and to arbitrarily equate indecent with obscene, as did the Duncan case, is a needless and improper emasculation of Section 1464, which was intended, in the Government's opinion, to punish all three categories of objectionable broadcasts -- the profane, the obscene and the indecent. As indicated in United States v. Limehouse, supra, there is a type of filthy language which can be subject to criminal sanctions - the sexually coarse, vulgar, disgusting and indecent which goes well beyond the community's sense of sexual propriety. The language broadcast by the Appellant here and overheard by a family-type listening audience was unquestionably "filthy", and in order to give real


meaning to the term "indecent" in Section 1464 the Government urges this Court to now define "indecent" as including the extremely vulgar, coarse and offensive use of sexual terminology in a manner far exceeding the bounds of common decency, i.e. as the equivalent of "filthy" as defined in Limehouse rather than of "obscene" as defined in Duncan.

Some discussion was also had during the course of the Government's oral argument concerning the propriety of the instructions defining obscenity and directing the jury not to consider the defendant's motives or reasons for the use of offensive language. As pointed out by the members of the Court during argument, the instruction which defined obscenity by paraphrasing the definition thereof found in Roth v. United States, supra, might have prejudiced the defendant because it omitted the "dominant theme" requirement of Roth (354 U.S. 476 at 489). With

regard to the instruction that the jury not consider the defendant's motives or reasons for using offensive language it would appear that under the recent decisions in Ginzburg v. United States and Mishkin v. New York, supra, such an instruction would not be proper on retrial inasmuch as those authorities consider the defendant's motives as bearing on the question of obscenity. However it is probable that neither of these problems will arise at a retrial, at which it is anticipated the Government will rely upon the indecent character of the broadcasts rather than upon their obscenity.

Respectfully submitted,

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United States Attorney


MICHAEL DeFEO
Special Assistant United States Attorney

No. 20458

FEB 14 1967

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

MINIC PETER GAGLIARDO,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

FILED

AUG 16 1966

WM. B. LUCK, CLERK

RESPONSE TO APPELLEE'S SUPPLEMENTARY BRIEF

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RESPONSE TO APPELLEE'S SUPPLEMENTARY BRIEF

The following is submitted by the appellant by way of response to the material presented to the Court in the supplementary brief filed on behalf of the Government. For the convenience of the Court, the present material has been ordered under the respective legal points raised by this appeal to which the material applies, but instead of following the original order of points, the present order is related to the Government's supplemental brief.

POINT ONE: APPELLANT'S CONVICTION MUST BE
REVERSED BECAUSE OF PREJUDICIAL COMMUNICATIONS
AND INSTRUCTIONS MADE PRIVATELY TO THE JURY
BY THE TRIAL JUDGE.

The first communication.

The government's position with respect to the first communication (in which the trial judge denied the request of the jury for a dictionary) is that since the content of the communication did not add anything to, or detract anything from the regular instructions given by the court to the jury, that this amounts to an affirmative showing on the record that the appellant was not prejudiced by that communication.

While it is true that the second communication is more obviously damaging to appellant, it does not follow that unless the particular nature of the prejudicial effect

appears on the face of the communication that no prejudice existed.

In considering the question, the guide lines set out in AH FOOK CHANG v. UNITED STATES, 91 F.2d 805 (9th CA, 1937) must always be kept in mind, and it should be remembered that the fact of a private communication between the trial judge and the jury raises two kinds of questions--one procedural and one substantive--and these questions must to a certain extent be determined on the basis of independent considerations.

In Ah Fook Chang this Court held that the action of the trial court constituted reversible error on two grounds. The first ground was procedural in character, and the Court said:

"The first is that appellants were entitled to be personally present at every stage of the trial . . . They could have waived that right by voluntarily absenting themselves from the trial, since they were not in custody . . . But a trial is supposed to take place in a courtroom, and here even if appellants had been in the courtroom, this proceeding would not have taken place in their presence, for it took place in the judge's chambers. If appellants had absented themselves from the courtroom voluntarily, they would have thus consented to the proceeding in the courtroom, but not at some other place. . . "

(Omitting citations.)

Therefore, even if the communication were affirmatively shown

by the record not to have been prejudicial, there would still remain the issue of the procedural error in denying the defendant the right to be personally present at his trial.

Counsel does not desire to belabor this point, but does want to urge that the issues of substance and procedure ought not to be confused and commingled through the agency of the doctrine of "prejudicial error."

In Ah Fook Chang the second ground for reversal was substantive, as to which the Court said:

"The second ground of reversal is because of the communication by the court to the jury. It is error for the court to instruct or communicate with the jury in the absence of counsel and without notice to them. . . .

"Not all error, however, is reversible error. If the record shows affirmatively that the appellant was not prejudiced, then the error does not require reversal Finally if the record shows error, but does not disclose whether the error is prejudicial or whether it is not prejudicial, it is presumed to be prejudicial and to require reversal" (Omitting citations; emphasis supplied.)

The Government makes two mistakes in its position:

The first mistake is in the contention that unless the communication is in the nature of a further instruction on the law, there is no error. This is a mistake because the rule of Ah Fook Chang applies to "instructions or communications."

The second mistake of the government is in its contention that unless prejudice appears on the face of the communication itself, then the record affirmatively shows there is no prejudice. This is not the law. Whether or not the communication is prejudicial is a matter to be determined from the entire record, not just the communication itself.

For example, in Ah Fook Chang, the Court had already passed on appellant's charge that the instruction given by the court orally to one juror, and to be relayed by him to the rest of the jury, was in itself a correct application of the law to that case. But, under the circumstances in which the instruction was conveyed to the jury, it could not be known what the juror told the rest of the jury, and in the absence of such knowledge prejudice would be presumed.

In the present case, the prejudice lies in the fact that the appellant was deprived of the right to have the jury interrogated by the Court as to the reason for their request for a dictionary. Such an opportunity was one which should have been afforded appellant because the jury had the duty of convicting or acquitting him on the basis of whether or not he had broadcast obscene, indecent or profane language, and the jury should have had a definition of all of these terms. At the trial, the instruction on obscene language was erroneous, and the court totally omitted giving the jury a definition covering indecent language.

Clearly this is a case where the defendant was entitled to have the complexity of the issues explored

Similar situation arose in the case of WRIGHT v. UNITED STATES, 10 S.App., D.C., 1957, 250 F.2d 4, as to the issue of the defendant's sanity. The court gave the jury the Simple Durham instruction. After the jury had been deliberating for some time, one of the jurors asked for further instruction as to whether in determining sanity the jury could consider anything other than dementia or schizophrenia. The defendant requested the giving of a further instruction which was denied. The court then instructed the jury, in effect, that the instructions already given would not be amplified and the jury must rely on the court's earlier instructions. On appeal, it was held that the court's refusal to answer the juror's questions and the denial of the requested instruction constituted reversible error, because in addition to evidence in the case about schizophrenia or dementia praecox (an older term for the same disease) there was also testimony about psychomotor epilepsy, psychomotor seizures, and tests showing the defendant to be a madman. The court held that in view of this evidence, the Simple Durham instruction did not "provide the jury with guides for determining whether the accused should be held criminally responsible."

An affidavit filed by appellant's counsel in this appeal states:

"7. If your Affiant had known of the common law rules, he would have requested that the court instruct the jury to ascertain the cause of the jury's uncertainty which led them to request the use of a dictionary, and would have submitted

to the court whatever supplemental instructions as were deemed necessary." (Appellant's Opening Brief, p. 50)

The first communication was prejudicial to the appellant under the circumstances of the case, and the government has made no attempt to establish, affirmatively, any absence of prejudice. Reversal of the conviction is required as to the first as well as the second communication on both procedural and substantive grounds.

The second communication.

The Government's position here is that lack of prejudice is not affirmatively demonstrated by the record. Under the authority of An Fong Sing, prejudice can be presumed to exist and the conviction reversed.

The appellant certainly agrees that he is entitled to a reversal of his conviction, but contends that the substantive content of this communication is obviously prejudicial and this Court need have no resort to any presumption of prejudice.

This is not a matter of quibbling between opposing counsel between a relatively mild and a relatively harsh ground for reversal. The matter is important because if there should be a remand for new trial, the ruling of this Court should not leave in doubt the matters to be covered by the instructions as to criminal intent and scienter, discussed at pages 31 and 32 of Appellant's Opening Brief, and pages 14 and 15 of Appellant's Reply Brief.

POINT TWO: TITLE 18, SECTION 1464, UNITED STATES CODE, VIOLATES THE TENTH AMENDMENT OF THE CONSTITUTION OF THE UNITED STATES AS AN ATTEMPT TO EXERCISE POLICE POWER NOT BELONGING TO THE CONGRESS BUT RESERVED TO THE STATES.

The Government's position here, as set forth at pages 2 and 3 of its Supplemental Brief, is that the statute is constitutional because (1) the power to regulate interstate radio communication includes the power to punish criminal conduct involving intrastate radio communications; and (2) because the federal government has pre-empted the field of regulation over interstate and intrastate radio communication.

The authorities relied on by the Government do not support its position. HEARD V. NEW MEXICO BOARD OF EXAMINERS IN OPTOMETRY, 374 U.S. 424, 83 S.Ct. 1759, 10 L.Ed.2d 983, discussed at pages 11, 12 and 13 of Appellant's Reply Brief, holds that by the passage of the Federal Communications Act Congress did not intend to pre-empt the field or substitute federal law for state laws dealing with traditional crimes.

UNITED STATES V. SUGOWEN, 226 F.2d 281 (CA 9th, 1955) concerned the application of the federal wire-tapping statute as a rule of evidence, wherein it was held the evidentiary command of that law applied to intrastate messages by radio monitored by federal agents, under the authority of UNITED STATES V. SUGOWEN, 208 U.S. 321, 60 S.Ct. 269, 34 L.Ed. 298.

nder the federal wire-tapping law.

While it is true that regulatory legislation will be liberally construed to effect its purpose, this is not true with respect to the enactment and consideration of criminal laws, where the governing polestar has always been strict construction against the enacting authority.

UNITED STATES v. FULLER, (N.D. Cal., 1962) 202 F. Supp. 356, the other case relied on by the Government, was a federal prosecution under the federal wire-tapping provision. But the case was defended on the theory that the statute infringed against the constitutional guarantee of free speech, and the constitutionality of the statute in question there under the Tenth Amendment was not raised by the defendant and was not considered by the court.

POINT THREE: THE EVIDENCE ESTABLISHED, AS A MATTER OF LAW, THAT THE APPELLANT WAS NOT GUILTY OF THE CRIME CHARGED AND HE IS ENTITLED TO A JUDGMENT OF ACQUITTAL.

The final portion of the government's supplemental brief concedes that the evidence did not establish that the appellant was guilty of having broadcast either profane or obscene language. The government further concedes that if this appeal is decided under the rule of DUNCAN v. UNITED STATES, 48 F.2d 128, cert.den., 283 U.S. 863 (9th CA, 1931) where this Court held that language, no matter how abusive,

which tends to excite anger and disgust but not to excite passion and corrupt morals and arouse feelings of a lascivious nature, is not obscene or indecent, then the appellant is not guilty of the crime charged against him.

The position of the Government is that this Court erred in Duncan in equating the word "indecent" with the word "obscene," and that Duncan should now be overruled and "indecent" construed to mean "language which is sexually coarse, vulgar, disgusting and which goes beyond the community sense of sexual propriety." (Supp. Brief, p. 8) The Government further urges that "indecent" should be equated with the word "filthy" which appears in the postal obscenity statute considered in UNITED STATES v. LINEHOUSE, 285 U.S. 424, (1932), by way of judicial statutory amendment.

Perhaps the position of the Government would be appropriate before a legislative body, but all it amounts to here is an attempt to get this Court to enact a law under the guise of judicial construction.

But even more dangerous than that attempt is the substantive attempt made by the Government to get this Court to so liberalize the meaning of "indecent" that violations of both the right of free speech and the requirement of reasonable certainty in the specification of what constitutes criminal conduct will result. ROTH v. UNITED STATES, 1957, 354 U.S. 476, 8 S.Ct. 1304, 1 L.Ed.2d 1498; UNITED STATES v. KELLER, (CA 3rd 1958) 259 F.2d 54.

In the last mentioned case the defendant was prosecuted


for mailing post cards upon which language of indecent character was written. The court held that the language used on the cards did not present an appeal to prurient interest under contemporary community standards, and such language did not fall within the purview of the statute proscribing mailing of a post card upon which language of an indecent character is written. It was not sufficient that the post cards contained words which were vulgar and repugnant to one of average sensibilities. In the course of the opinion the court passed upon contentions that the statute was an abridgement of the right of free speech under the First Amendment, and that it violated the Fifth Amendment in that the charge of using language of an "indecent character" in the counts of the indictment was too vague to apprise the defendant of the charges against him. The court held that if the language used by the defendant was of an "indecent, lewd, lascivious, or obscene character" it was not protected by the First Amendment. As to the matter of vagueness, the court held that the language of the Roth decision setting forth the test for judgment obscenity also applied to the judging of indecent language and the charge was therefore not unconstitutionally vague:

" . . . While the Court spoke of 'judging obscenity', the essence of what was said does not permit a less stringent test for judging 'indecent' material.

'It is * * * vital that the standards for judging obscenity safeguard the protection of freedom of speech and press for material which does not treat sex in a manner appealing to prurient interest.'

The Appellant is confident this Court will not
accept the invitation of the Government to enter upon the
field of legislation.

Respectfully submitted:



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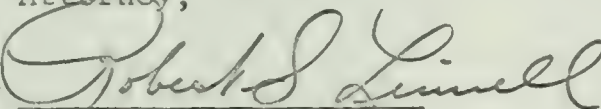
ATTORNEY FOR APPELLANT

ACKNOWLEDGMENT OF SERVICE

RECEIPT OF THREE COPIES of the foregoing Response

Appellee's Supplementary Brief is hereby acknowledged
is 12th day of August, 1966.

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By 

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No. 20,465

FEB 14 1967

IN THE
United States Court of Appeals
For the Ninth Circuit

BARBARA L. HIATT,

Appellant,

vs.

SAN FRANCISCO NATIONAL BANK, DOE
ONE, DOE TWO, and FEDERAL DEPOSIT
INSURANCE CORPORATION as Receiver of
SAN FRANCISCO NATIONAL BANK,

Appellees.

On Appeal from the United States District Court
for the Northern District of California,
Southern Division

BRIEF FOR APPELLANT

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JURISDICTIONAL STATEMENT

This action was commenced in the Superior Court of the State of California, in and for the City and County of San Francisco, against San Francisco National Bank, a national banking association, and Federal Deposit Insurance Corporation, its duly appointed Receiver, to recover interest charged and taken by the defendant bank on a loan made to plain-

tiff at the alleged rate of 25.7 percent upon the ground that said interest is usurious within the meaning of Title 12, U.S.C. Sections 85 and 86. (R. 8-14.)

The action was removed to the United States District Court for the Northern District of California, Southern Division, upon petition of defendant, Federal Deposit Insurance Corporation, under the provisions of Title 28, U.S.C. Section 1441 upon the ground that the action is one of which the United States District Court had original jurisdiction under Title 28, U.S.C. Sections 1346, 1348, and Title 12 U.S.C. Section 1819. (R. 1-7.)

The defendant's motion to dismiss (R. 15-18), made under Rule 12, F.R.C.P., upon the ground that the alleged rate of interest is not rendered usurious by Section 85 of Title 12 U.S.C. was granted by the United States District Court and plaintiff's complaint was dismissed. (R. 24-31.)

From the "Order Granting Defendant's Motion to Dismiss" the plaintiff appeals under the provisions of 28 U.S.C. 1291. (R. 32; R. 40-41.)

STATEMENT OF THE CASE

1. The Federal Usury Law. Title 12, U.S.C., 85 provides in part:

"Any association may . . . charge . . . interest at the rate allowed by the laws of the state . . . where the bank is located . . . and no more, except that where by the laws of any state a different rate is limited for banks organized under state laws, the

rate so limited shall be allowed for associations organized or existing in any such state under this chapter. When no rate is fixed by the laws of the state, . . . , the bank may take, receive, reserve, or charge a rate not exceeding 7 percent . . .”

2. The California Usury Law. Prior to the enactment of the usury law in 1918 the California statutes provided that:

“Parties may agree in writing for the payment of any rate of interest . . .” (Statutes 1850, C. 31, Section 2; Civil Code, 1872, Section 1918).

By initiative measure approved November 5, 1918 (General Laws Act 3757) the maximum rate of interest was fixed at 12 percent per annum. Thereafter, Section 22 of Article XX of the California Constitution, adopted November 6, 1934, fixed the legal rate of interest at 7 percent per annum and permitted written contracts for a rate of interest not exceeding 10 percent per annum. However, “any bank created and operating under and pursuant to any laws of this state or of the United States of America . . .” was exempted from the provisions of the section, the legislature being given the specific authority to prescribe the maximum rate for the exempted classes.

The effect of the California law is that citizens generally may charge interest not exceeding 10 percent per annum. State and national banks are among the exempt classes and the legislature has been given the specific authority by the California Constitution to prescribe the maximum rate for the exempted classes.

The effect of these provisions is summarized in the California case of *Carter v. Seaboard Finance Co.*, 33 Cal.2d 564, 582 (1949):

“The foregoing history is a demonstration that it was the purpose of the constitutional amendment of 1934 to free the legislature from the restraints imposed by inflexible usury provisions so that interest and charges more appropriate to business conditions peculiar to each of the exempted classes could be established. Those who voted for the 1934 amendment had reason to expect that the exempt classes would not remain unregulated indefinitely; but until the legislature exercised the power granted to it by the amendment to regulate the business of lenders in a manner appropriate to each exempted class, the class not so governed by the legislature is subject to no restriction on interest rates or charges.”

QUESTION PRESENTED

May a bank created and operating under and pursuant to the laws of the United States of America charge any rate of interest in California or is it limited by the provisions of 12 U.S.C. 85?

SUMMARY OF ARGUMENT

Plaintiff contends that a bank created and operating under and pursuant to the laws of the United States of America, specifically, in this case, San Francisco National Bank, is limited to an interest rate of 10 percent per annum.

The leading case of *Tiffany v. Bank of Missouri*, 18 Wall. 409, 21 L.Ed. 862 (1874), discusses three rates of interest available to national banks:

1. If no rate of interest is defined by state law, the bank may charge 7 percent (or current discount rate plus 1 percent, whichever is greater).

2. If a rate of interest is fixed or allowed under state law for lenders generally (in California 10 percent), the bank may charge that rate but no more.

3. If a higher rate of interest is limited by state law for state banks, this same privilege is accorded to national banks. (No higher rate is limited for state banks in California.)

Appellant concedes that if the law of a state specifies a given rate of interest for state banks (for example 15%) national banks operating in that state could also charge 15%.

Appellant further concedes that if state law provides that state banks may charge one rate of interest (say 8%) and citizens of the state generally a higher rate of interest (say 10%), national banks may charge the highest rate permitted in the state, in this case 10%. (*Tiffany v. Bank of Missouri*, supra.)

Appellant further concedes that if state law provides that "parties may agree in writing for the payment of any rate of interest" that both state and national banks may charge any rate of interest (*Daggs v. Phoenix National Bank*, 177 U.S. 549, 20 S.Ct. 732, 44 L.Ed. 882) (1900.)

Appellant contends, however, that where the State of California fixes a rate of 10 percent per annum for its citizens generally and exempts state and national banks from the provisions of the section setting 10 percent as the limit for citizens generally, that although in such a case state banks are unlimited in the rate of interest they may charge, national banks are governed by the provisions of 12 U.S.C. 85 which specifically provide:

“Any association may . . . charge . . . interest at the rate allowed by the laws of the state (in California 10%) . . . except that where by the laws of any state a different rate is limited for banks organized under state laws, the rate so limited shall be allowed for associations organized or existing in any such state under this chapter.” (In California no different rate is limited for banks organized under state laws, they are merely exempted from the 10% limitation.)

ARGUMENT

Appellant's research indicates that the leading case on the subject is *Daggs v. Phoenix National Bank*, 177 U.S. 549, 20 S.Ct. 732, 44 L.Ed. 882 (1900). Appellant's research does not indicate that any case has gone beyond the holding in *Daggs* where the law of the Territory of Arizona in question read “parties may agree in writing for the payment of any rate of interest . . .” This was similar to the California law prior to 1918. Under the facts in the *Daggs* case the Supreme Court held that since state banks could agree

in writing for the payment of any rate of interest, national banks could do likewise.

The case at bar can readily be distinguished from the facts in the *Daggs* case however, since, in the *Daggs* case, there was a specific statute which stated "parties may agree in writing for the payment of any rate of interest". In the present case there is no such statute. There is rather a constitutional provision setting the maximum rate of interest in California at 10 percent but exempting state and national banks from the said provision.

No one can dispute that "when no rate is fixed by the laws of the state" a "bank may take, receive, reserve, or charge a rate not exceeding 7 percentum . . ." since such is the clear language of 12 U.S.C. 85.

Nor can anyone dispute that national banks can charge interest at the rate of 10 percent in California rather than the 7 percent limit set forth in 12 U.S.C. 85, since 12 U.S.C. 85 further provides "any association may take, receive, reserve, and charge . . . interest at the rate allowed by the laws of the state".

Can it be argued, however, that in California "a different rate is limited for banks organized under state laws"?

California law sets no specific rate of interest for state banks. Neither does California law say that parties may agree in writing for the payment of any rate of interest as in the *Daggs* case.

Since California law has neither fixed a rate of interest for banks nor provided that parties may agree

in writing for the payment of any rate of interest, it is submitted that the clear language of 12 U.S.C. 85 must govern the rate of interest to be charged by national banks and national banks may therefore charge interest "at the rate allowed by the laws of the state", in California 10 percent and no more. To hold otherwise would be to nullify the clear language of 12 U.S.C. 85.

What difference is there so far as banks are concerned between California and a state where there is absolutely no law on the question of interest rates? In such a state both individuals and state banks could charge any rate of interest whatsoever, but national banks under the clear language of 12 U.S.C. 85 would be limited to 7 percent interest.

In California, state law has acted on some categories of lenders but not on all categories. State law has fixed the rate for lenders generally at 10 percent but has exempted state and national banks. The result is therefore that citizens generally may lend at the rate of 10 percent and state banks may charge any rate of interest whatsoever. Appellant contends, however, that national banks may not therefore charge an unlimited rate of interest but rather must look to 12 U.S.C. 85 which limits national banks to "the rate allowed by the laws of the state". In California this rate is 10 percent since no "different rate is limited for banks organized under state laws".

CONCLUSION

For the reasons stated, it is respectfully submitted that the District Court erred in concluding that national banking associations may charge any rate of interest in the State of California and therefore erred in granting judgment to the appellee and in dismissing appellant's complaint.

Dated, San Rafael, California,
December 7, 1965.

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Attorneys for Appellant.

CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

EDMOND C. WARD,
Attorney for Appellant.



No. 20,465

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No. 20,465

**United States Court of Appeals
For the Ninth Circuit**

BARBARA L. HIATT,

Appellant,

vs.

SAN FRANCISCO NATIONAL BANK, DOE
ONE, DOE TWO, and FEDERAL DEPOSIT
INSURANCE CORPORATION as Receiver
of San Francisco National Bank,
Appellees.

On Appeal from the United States District Court
for the Northern District of California,
Southern Division

BRIEF FOR APPELLEE

PRELIMINARY STATEMENT

Plaintiff sued San Francisco National Bank to recover double the interest paid to the Bank on a loan, on the asserted ground that the amount of the interest violated the federal usury law which is contained in 12 U.S.C. §§ 85, 86.

Defendants moved to dismiss under Rule 12, F.R.C.P. on the ground that the interest in question was not rendered usurious by the federal usury law.¹

¹Tr., 17-18.

The District Court granted the motion to dismiss,² and plaintiff has appealed.

We respectfully submit that the District Court's order is correct and should be affirmed.

THE COMPLAINT AND MOTION

The issue is presented by the complaint and by defendants' motion.

The complaint alleges that plaintiff gave to San Francisco National Bank her note for \$27,500.00 for a loan, and that she paid thereon advance interest and monthly interest totalling \$3,485.88, which was at the rate of 25.7% per annum; that such interest violated the federal usury law; and that by reason thereof defendants are indebted to plaintiff in double that amount, or \$6,971.76.³

Defendant's motion to dismiss is based upon the ground that the complaint fails to state a claim upon which relief can be granted. The reason is that the interest received by the Bank from plaintiff did not violate the federal usury law.

²Tr., 24-31.

³Tr., 9-10. The complaint contains a second count, by which plaintiff seeks to set off the \$6,971.76 against \$12,500 which plaintiff owes the bank. Tr., 10-11.

THE INTEREST PAID IN THIS CASE DOES NOT VIOLATE THE FEDERAL USURY LAW

I.

THE FEDERAL AND STATE LAWS ON RATE OF INTEREST

The federal law, which is contained in 12 U.S.C. sec. 85, provides

“Any association (i.e. national banking association) may . . . charge . . . interest at the rate allowed by the laws of the State . . . where the bank is located . . . and no more, except that where by the laws of any State a different rate is limited for banks organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this chapter. When no rate is fixed by the laws of the State . . . the bank may . . . charge a rate not exceeding 7 per centum . . .”⁴

The California law is contained in Sec. 22 of Article IX of the constitution, which was adopted in 1934; it provides:

“The rate of interest upon the loan . . . of any money . . . shall be 7 percent per annum but it shall be competent for the parties to any loan . . . to contract in writing for a rate of interest not exceeding 10 percent per annum.

“No person . . . shall by charging any fee, bonus, commission, discount or other compensation receive from a borrower more than 10 percent per annum upon any loan . . .

⁴Title 12 U.S.C. Sec. 86 provides for forfeiture of interest exceeding the rate allowed by Sec. 85 and for recovery of twice the amount thus paid.

“However, none of the above restrictions shall apply to . . . *any bank created and operating under and pursuant to any laws of this State or of the United States of America* . . .

“The Legislature may from time to time prescribe the maximum rate per annum of . . . the fees, bonus, commissions, discounts or other compensation which all or any of the said exempted classes of persons may charge or receive from a borrower in connection with any loan . . .

“The provisions of this section shall supersede all provisions of this Constitution and laws enacted thereunder in conflict therewith.” (Emphasis supplied.)

As observed in appellant’s brief, the effect of these provisions of the California constitution is that interest may not exceed 10 per cent, except that certain organizations including state and national banks are exempted from this constitutional limit, and as to such organizations the legislature may prescribe the maximum rate. And since the legislature has not acted on this subject, the law remains as stated in the constitution, and the organizations mentioned are subject to no restriction on interest rates. *Carter v. Seaboard Finance Co.* (1949), 33 Cal.2d 564, 203 Pac. 2d 758.

II.

APPELLANT’S CONTENTION

The question, then, is whether the federal usury statute imposes greater restrictions on national banks

in respect of interest rates than the California law does. Appellant's counsel argue that it does. They say that while state banks in California may charge any rate of interest, national banks are limited by the federal usury law to the 10 per cent which persons other than state banks may charge. In other words, they are attributing to Congress, in its legislation on this subject, the intention to place national banks in a disadvantageous position compared with state banks in this respect. Examination of the statute discloses that this is an erroneous interpretation.

III.

PURPOSE OF THE FEDERAL STATUTE, AND RULE OF CONSTRUCTION

In construing this statute, the Supreme Court in *Tiffany v. Bank of Missouri* (1874), 18 Wall. 409, 21 L.Ed. 862, 863, said:

“In an action like the present, brought to recover that which is substantially a statutory penalty, the statute must receive a strict, that is, a literal construction. The defendant is not to be subjected to a penalty unless the words of the statute plainly impose it.”

The Court in *Tiffany* also spoke of the purpose of the statute. In that respect, it said (21 L.Ed. 863):

“It cannot be doubted, in view of the purpose of Congress in providing for the organization of national banking associations, that it was intended to give them a firm footing in the differ-

ent states where they might be located. It was expected they would come into competition with state banks, and it was intended to give them at least equal advantages in such competition. In order to accomplish this they were empowered to reserve interest at the same rates, whatever those rates might be, which were allowed to similar state institutions. This was considered indispensable to protect them against possible unfriendly state legislation. Obviously, if state statutes should allow to their banks of issue a rate of interest greater than the ordinary rate allowed to natural persons, national banking associations could not compete with them, unless allowed the same."

IV.

THE STATUTE SHOULD BE CONSTRUED AS PERMITTING THE INTEREST WHICH WAS PAID IN THIS CASE

The California law expressly provides that both state and national banks may charge any rate of interest. It does this by providing for persons generally a maximum rate of interest of 10 per cent and then providing that certain enumerated organizations, including banks, both state and national, are exempt from that restriction. Thus the California law "allows" a national bank to charge any rate. And the federal usury statute provides that a national bank may charge interest "at the rate allowed by the laws of the State . . ." The conclusion is that the federal usury law does not subject national banks to a restriction of interest in California.

Appellant attempts to escape this conclusion by making the following argument:

The first part of the federal usury statute says:

“Any association may . . . charge . . . interest at the rate allowed by the laws of the State . . . except that where by the laws of any State a different rate is limited for banks organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this chapter.”

Appellant argues that the phrase “the rate allowed by the laws of the State” in the above statute means in this case the 10 per cent limit imposed generally by the California constitution; and appellant then contends that no different rate “is limited for banks organized under (California) laws,” because under California law such banks are merely *exempted* from the 10 per cent limitation. The exemption referred to consists in the fact that the constitution, after providing that no one shall receive interest and other compensation for a loan totalling more than 10 per cent, provides

“However, none of the above restrictions shall apply to . . . any bank created and operating under and pursuant to any laws of this State or of the United States of America . . .” (Emphasis supplied.)

We do not agree that “the rate allowed by the laws of the State” means 10 per cent in this case. The federal statute says, “any (national bank) may . . . charge . . . interest at the rate allowed by the laws

of the State . . .” The California constitution allows a national bank to charge *any* rate, not *10 per cent*. It does so, by expressly saying that none of the restrictions on interest shall apply to any bank, either state or national. This is the same as if it provided that there should be a limit of 10 per cent on all interest charged by persons other than banks, but that as to banks, both state and national, there should be no limit and that on loans by banks the parties could agree to the payment of any rate of interest.

The attempted invocation of the “except” clause has an unreal basis. That clause is:

“except that where by the laws of any State a different rate is limited for banks organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this chapter.”

The evident purpose of that clause is to avoid discrimination, in the federal usury law, against a national bank, which would occur if by state law national banks were restricted to a lower rate of interest than state banks. In such case the exception would come into operation, and the national banks in that state could charge the same rate as the state banks without violating the federal usury law. But that is not the situation in California. In California, the law expressly puts both national and state banks on the same footing; that is, it allows them both to charge any rate of interest.

Even if the exception clause were applicable, it would not alter the conclusion in this case. This is so

because appellant's argument in this respect is verbal only; that is, a law exempting banks from restrictions imposed upon others would be "limiting a different rate for banks," since in view of the purpose of the statute that phrase clearly means *allowing* a different rate.

A landmark decision on construction of the federal usury statute in relation to state law is *Daggs v. Phoenix National Bank* (1900), 177 U.S. 549, 44 L. Ed. 882. In that case, the Court considered the federal statute in the light of the law of Arizona which provided that "When there is no express agreement fixing a different rate of interest, interest shall be allowed at the rate of 7 per cent per annum . . ."; but which also provided: "Parties may agree in writing for the payment of any rate of interest whatever on money due or to become due on any contract . . ." In the *Daggs* case, a borrower from a national bank contended that interest under a note was usurious in violation of the federal statute. The Court held otherwise, saying (44 L.Ed., p. 884):

"The contention of appellant is that the rate of interest is not *fixed* by the laws of the territory. It permits the parties to do so, but does not do so itself. In other words, it is urged that the rate is fixed by permission of the laws, and not by the laws, and upon this distinction a power which every person and every bank in the territory has, it is contended, the national banks do not have. (Emphasis the Court's.)

"We cannot accept this as a correct interpretation of either the spirit or the words of the na-

tional banking act. By that act, certainly no discrimination was intended against national banks, and that the interpretation contended for would seriously embarrass their business is manifest."

After quoting from *Tiffany* to the effect that Congress did not intend to expose national banks to unfair treatment by the states, the Court in *Daggs* quoted the federal statute, and then said (p. 885):

"The meaning of these provisions is unmistakable. A national bank may charge interest at the rate *allowed* by the laws of the state or territory where it is located; and equality is carefully secured with local banks.

"The clear meaning and purpose of these provisions remove the ambiguity of those which follow, if there is any ambiguity. 'When no rate is *fixed* by the laws of the state or territory or district, the bank may take, receive, reserve, or charge a rate not exceeding 7 per centum.' '*Fixed by the laws*' must be construed to mean '*allowed by the laws*,' not a rate expressed in the laws. In instances it might be that, but not necessarily. The intention of national law is to adopt the state law, and permit to national banks what the state law allows to its citizens and to the banks organized by it. *Tiffany v. National Bank*, 18 Wall. 409, 21 L. Ed. 862." (Emphasis the Court's.)

Appellant attempts to avoid the effect of the *Daggs* decision only by saying that the case involved a statute which provided that the "parties may agree . . . for the payment of any rate of interest," whereas in the present case there is no such statute but rather an

exemption from all restrictions of interest. The distinction is nominal; in substance the situations are identical.

CONCLUSION

Appellant's interpretation of the federal statute would limit national banks to 10 per cent interest in California while state banks would be free to charge any rate in excess of that amount. This would violate the intention of Congress, which is to protect national banks against such discrimination.

The statute must be strictly construed so that a transaction may be declared usurious only when it comes clearly within the terms of the statute. The present transaction does not meet that test; on the contrary, the act expressly states that a national bank may charge interest at the rate allowed by the state, and by virtue of the California law all banks, national as well as state, may charge interest at any rate agreed upon.

Appellant's contention is a nominal one only, being based upon an artificial extraction of some of the words of the statute, for the purpose of drawing a conclusion which not only nullifies the congressional intention to protect national banks against just such discrimination but also conflicts with the express wording of the statute itself and with the decision of the Supreme Court in *Daggs v. Phoenix National Bank*.

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No. 20,465

IN THE

**United States Court of Appeals
For the Ninth Circuit**

BARBARA L. HIATT,

Appellant,

VS.

SAN FRANCISCO NATIONAL BANK, DOE
ONE, DOE TWO, and FEDERAL DEPOSIT
INSURANCE CORPORATION as Receiver
of San Francisco National Bank,

Appellees.

**BRIEF OF CALIFORNIA BANKERS ASSOCIATION,
AMICUS CURIAE, IN SUPPORT OF APPELLEES**

STATEMENT OF INTEREST

Until now, no one has questioned the right of national banks in California to charge interest at the same rates chargeable under law by California state banks. Thus, the practice in California has been, and continues to be, for state and national banks to compete with one another on interest rates to prospective borrowers. What appellant seeks in this case is to destroy that competition by constricting the maximum interest rates chargeable by national banks below those allowed by law to state banks.

Not only is appellant's attack here an attempt to undermine bank competition in California, it also casts an unwarranted aspersion on the validity of past interest charged by national banks at rates which appear clearly lawful under 12 U.S.C., section 85. For these reasons, the California Bankers Association, a non-profit corporation comprised of both state and national banks, is vitally concerned by the outcome of this case.

Accordingly, the Association, with the consent of both parties, hereby submits its brief, *amicus curiae*, on behalf of the banks of California.

STATEMENT OF THE CASE

The facts in this case are simply stated. Appellant filed an action in the California Superior Court to recover interest paid by appellant under a loan from appellee, a national bank in California. The action was subsequently removed to the federal district court where the complaint was dismissed on the ground that the alleged 25.7% interest rate paid by appellee was not usurious under 12 U.S.C., section 85.¹

Section 85 provides that national banks may charge "interest at the rate *allowed*² by the laws of the State . . . where the bank is located." If a "different rate is *limited*" for state banks, the rate "so limited" shall be allowed to national banks. "When no rate is *fixed*"

¹All relevant statutes cited in this brief are quoted in full in Appendix A at the end of the brief.

²All emphasis here and elsewhere in this brief has been added.

then a national bank cannot charge a rate of interest in excess of 7%.

The sole issue presented by this appeal is whether under section 85 national banks in California are "allowed by the laws of the State" to charge interest at the rate appellant agreed to pay. Stated differently, may national banks in California charge interest at the same rates chargeable by California state banks?

DISCUSSION

In her brief before this Court, appellant concedes what has been perfectly obvious to everyone else: that the interest rate appellant agreed to pay under appellee's loan was allowed by California law to national as well as state banks. Since section 85, 12 U.S.C., expressly authorizes national banks to charge interest at rates "allowed by the laws of the State" where they are located, appellant's concession by itself requires dismissal of her complaint.

Totally inconsistent with appellant's concession is her contention that California law must affirmatively state that interest rates of banks are unrestricted before it can be said that national banks in California may charge interest at rates agreed upon with their customers. Not only is this interpretation of section 85 contrary to the plain language of that statute, it also thwarts the manifest purpose of section 85 to place national banks on a competitive par with rival state banks with respect to interest charges. What is more, even if appellant's distorted interpretation of

section 85 were assumed, the fact is that California law does affirmatively state that banks may charge unrestricted interest rates.

I.

SINCE APPELLANT CONCEDES THAT THE RATE OF INTEREST CHARGED BY APPELLEE WAS "ALLOWED BY THE LAWS OF THE STATE" OF CALIFORNIA TO STATE BANKS, HER COMPLAINT MUST BE DISMISSED.

Appellant concedes that had appellee been a California state bank the interest charged would not be usurious under California law. (Br. p. 8.) This concession by appellant is not at all surprising since section 22, article XX, of the California Constitution, which sets maximum interest rates in California at 7% generally and 10% under written contract, specifically exempts from the "above restrictions" certain lenders including state and national banks. "*The result*" of this exemption, appellant frankly admits, "*is therefore that . . . state banks may charge any rate of interest whatsoever.*" (Br. p. 8.) Thus, by appellant's own admission, California state banks and their customers may agree for the payment of any rate of interest, solely because state law allows them to do so.³

Appellant also concedes that if state law allows state banks or other parties to agree for the payment of any rate of interest, then under section 85, 12 U.S.C., national banks may likewise charge any rate

³Appellant correctly denominates section 22, article XX of the California Constitution as "State law" (Br. p. 8), thereby abandoning a contrary suggestion made in the court below.

of interest. (Br. p. 5.) In fact, that is precisely what the Supreme Court held in *Daggs v. Phoenix Nat'l Bank*, 177 U.S. 549, 554-55 (1900).

It follows, therefore, from appellant's own admissions, that national banks in California may charge interest at rates that borrowers, such as appellant, agree to pay. For section 85, 12 U.S.C., expressly authorizes national banks to charge interest at rates allowed under local law to state banks, and in California state banks are admittedly allowed to charge interest at agreed upon rates. In fact, the California law specifically allows *national* banks to charge interest at agreed upon rates, and on that basis, too, national banks in California are authorized under section 85 to set their own maximum interest rates.

Seeking to avoid this inescapable conclusion, appellant has raised a number of contentions which, in the words of the trial court, can only be regarded as "far fetched." (Mem. Op. p. 4.) First, appellant suggests that there are different standards to be applied under section 85, one standard to ascertain what interest rates are "limited" for state banks under state law and another standard to ascertain what rates are "allowed" under local law. Suffice it to say, the terms "limited for" and "fixed by" have both been construed to mean "allowed" or "permitted" by state law, in accordance with the first clause of section 85.⁴ *Daggs*

⁴Actually, if the rate charged by a national bank is "allowed by the laws of the State" there is no need to inquire whether a different rate is "limited for" state banks. *Tiffany v. National Bank*, 85 U.S. (18 Wall.) 409, 411 (1874). The rate charged by appellee was specifically allowed to national banks under California law.

v. Phoenix Nat'l Bank, 177 U.S. 549, 555 (1900); *Tiffany v. National Bank*, 85 U.S. (18 Wall.) 409, 412 (1874); *First Nat'l Bank v. Duncan*, 9 Fed. Cas. 91, 93 (No. 4,804) (C.C.W.D. Pa. 1878). The sole inquiry under section 85 is what interest rates do state laws "allow" or "permit" to be charged. *Panos v. Smith*, 116 F.2d 445, 446 (6th Cir. 1940); *Rockland-Atlas Nat'l Bank v. Murphy*, 329 Mass. 755, 757, 758-60, 110 N.E.2d 638, 639, 641 (1953). As shown through appellant's own admissions, California law allows not only state banks but national banks as well to set their own maximum interest rates.

Next, without recognizing its significance, appellant refers to the provision in section 22, article XX of the California Constitution, which authorizes the legislature to prescribe maximum interest rates for lenders exempted from the rates prescribed in section 22. Signally, in the 31 years since section 22 was adopted, the legislature has prescribed maximum interest rates for some classes of exempted lenders, but has left the exemption for banks fully intact. *Wolf v. Pacific Southwest Discount Corp.*, 10 C.2d 183, 184, 74 P.2d 263, 264 (1937). Hence, if anything, the legislature's unexercised authority to remove the banks' exemption from maximum interest rates, establishes the legislature's purpose to allow banks and their customers to agree upon interest rates to be charged. The legislature could very well have concluded that the intense competition existing among banks in California more than adequately protects borrowers from overreaching by banks.

II.

APPELLANT'S POSITION FLOUTS THE MANIFEST PURPOSE
OF THE NATIONAL BANKING ACT AND SECTION 85, 12
U.S.C.

Unquestionably, one major purpose of the National Banking Act, 12 U.S.C. §§ 21 *et seq.*, was to place national banks on an equal footing with competing state banks by securing to national banks the same privileges afforded state banks under state law.⁵ As stated by the Supreme Court in *Tiffany v. National Bank*, 85 U.S. (18 Wall.) 409, 412 (1874):

“It cannot be doubted, in view of the purpose of Congress in providing for the organization of National banking associations, that it was intended to give them a firm footing in the different States where they might be located. It was expected they would come into competition with State banks, and *it was intended to give them at least equal advantages in such competition. In order to accomplish this they were empowered to reserve interest at the same rates, whatever those rates might be, which were allowed to similar State institutions.*”

Similarly, in *Daggs v. Phoenix Nat'l Bank*, *supra*, the Court held:

“The meaning of these provisions [in 12 U.S.C. § 85] is unmistakable. A national bank may charge interest at the rate *allowed* by the law of

⁵In addition to section 85, numerous other sections of the National Banking Act were designed to provide the same privileges to national banks as are allowed to competing state banks under state law. See, *e.g.*, 12 U.S.C. § 36(e) (branch banking); § 51 (requisite capitalization); §§ 92a(a),(f) (trust powers); § 214c (conversion into state bank); and § 215(d) (appraisal rights upon consolidation).

the State or Territory where it is located; *and equality is carefully secured with local banks.*" 177 U.S. at 555.

Because the manifest purpose of the National Banking Act was to place national banks on a par with rival state banks, courts have consistently construed section 85 broadly to permit national banks to charge interest at the same rates chargeable by state banks. For example, in *First Nat'l Bank v. Duncan*, 9 Fed. Cas. 91 (No. 4,804) (C.C.W.D. Pa. 1878), the court rejected the argument that national banks could not charge the same interest rates allowed to state banks under their state charters. The court's holding, that charters issued to state banks constitute "State law" under section 85, was based on the following rationale:

"States might establish banks alongside of every national bank, and give them powers against which the national banking associations could not compete. *A construction of the act of congress that opens the door to such results cannot be accepted as the true one.*" 9 Fed. Cas. at 93.

Thus, the plain purpose of section 85 and the restrictive interpretation of that section advanced by appellant are wholly at odds. If there were any question whether section 85 permits appellee to charge interest at the same rates chargeable by California state banks, the purpose of the statute alone requires that the question be resolved in appellee's favor.

The dangers inherent in appellant's position were recently expressed by the court in *Commercial Sec. Bank v. Saxon*, 236 F. Supp. 457, 460 (D.D.C. 1964):

“It seems clear to the Court that in order for the ‘dual banking system’ of the United States, consisting of state chartered banks and national banks chartered under the National Bank Act . . . to continue to function as such, there must be a competitive equality in at least the most important areas of competition between the two systems. If such were not the case, one or the other of the two types of banks, the one with the competitive weight against it, would substantially be driven out of existence, either through failures or conversions to the other class of banking.”

III.

EVEN IF APPELLANT’S ERRONEOUS INTERPRETATION OF SECTION 85 WERE ASSUMED, THE FACT IS THAT CALIFORNIA STATE LAW DOES AFFIRMATIVELY ALLOW STATE AND NATIONAL BANKS TO SET THEIR OWN MAXIMUM INTEREST RATES.

The whole thrust of appellant’s argument is that state law must affirmatively state that bank interest rates are unrestricted before it can be said under section 85, 12 U.S.C., that state law “allows” or “limits” banks to charge interest at rates agreed upon with their customers. An exemption from maximum rates, which achieves precisely the same result, does not suffice according to appellant’s view. As already shown, appellant’s position is contradicted by her own admissions, is completely without merit, and is totally at odds with the manifest purpose of the National Banking Act.

Nevertheless, even assuming appellant's erroneous interpretation of section 85, the fact is that California state law *does* affirmatively state that bank interest rates are unrestricted. What appellant fails to comprehend is that the term "State law" in section 85 is in no way limited to the statutory or constitutional enactments of the state, but includes as well decisions of the state's highest tribunal construing those enactments.

That the term "State law" in section 85 embraces decisions of the California Supreme Court construing section 22, article XX of the California Constitution, is clearly established by the cases arising under section 85.⁶ These cases invariably rely upon state decisional law in determining whether the interest rates charged by national banks were allowed by the laws of the state. See, *e.g.*, *Panos v. Smith*, 116 F.2d 445, 446 (6th Cir. 1940); *Shumacker v. Lawrence*, 108 F.2d 576, 577 (6th Cir. 1940); *Evans v. National Bank*, 251 U.S. 108, 112 (1919); *Citizens' Nat. Bank v. Donnell*, 195 U.S. 369, 374 (1904); *Anderson v. Hershey*, 127 F.2d 884, 886 (6th Cir. 1942); *Daniel v. First Nat'l Bank*, 227 F.2d 353, 356-57 (5th Cir. 1955).

Turning to decisions of the California Supreme Court construing the exemption afforded lenders under section 22, article XX of the California Constitution,

⁶There is certainly ample authority for construing "State law" under federal statute to include decisions of the state's highest court. The best known example is, of course, *Erie R.R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938).

we need look no further than the very case relied upon by appellant (Br. p. 4), *Carter v. Seaboard Fin. Co.*, 33 C.2d 564, 203 P.2d 758 (1949). In that case the court held that banks and other lenders which are exempt from the maximum interest rates prescribed under section 22 are “*subject to no restriction on interest rates or charges.*” 33 C.2d at 582, 203 P.2d at 770.

Accordingly, California law does affirmatively state that bank interest rates are unrestricted, and therefore, even under appellant’s erroneous construction of 12 U.S.C. § 85, the interest appellant agreed to pay was not usurious.

CONCLUSION

The amicus curiae joins the appellees and supports their conclusion, that the judgment of the lower court dismissing appellant’s complaint be affirmed.

Dated, San Francisco, California,

February 4, 1966.

Respectfully submitted,

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CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, amicus curiae, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

MELVIN R. GOLDMAN,
Attorney for Amicus Curiae.

(Appendix A Follows)

Appendix "A"



Appendix A

12 U.S.C. § 85:

“Rate of interest on loans, discounts and purchases

Any association may take, receive, reserve, and charge on any loan or discount made, or upon any notes, bills of exchange, or other evidences of debt, interest at the rate allowed by the laws of the State, Territory, or District where the bank is located, or at a rate of 1 per centum in excess of the discount rate on ninety-day commercial paper in effect at the Federal reserve bank in the Federal reserve district where the bank is located, whichever may be the greater, and no more, except that where by the laws of any State a different rate is limited for banks organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this chapter. When no rate is fixed by the laws of the State, or Territory, or District, the bank may take, receive, reserve, or charge a rate not exceeding 7 per centum, or 1 per centum in excess of the discount rate on ninety-day commercial paper in effect at the Federal reserve bank in the Federal reserve district where the bank is located, whichever may be the greater, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run. The maximum amount of interest or discount to be charged at a branch of an association located outside of the States of the United States and the District of Columbia shall be at the rate allowed by the laws of the country, territory, dependency, province, dominion, insu-

lar possession, or other political subdivision where the branch is located. And the purchase, discount, or sale of a bona fide bill of exchange, payable at another place than the place of such purchase, discount, or sale, at not more than the current rate of exchange for sight drafts in addition to the interest, shall not be considered as taking or receiving a greater rate of interest."

12 U.S.C. § 86:

"Usurious interest; penalty for taking; limitations

The taking, receiving, reserving, or charging a rate of interest greater than is allowed by the preceding section, when knowingly done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. In case the greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back, in an action in the nature of an action of debt, twice the amount of the interest thus paid from the association taking or receiving the same: *Provided*, That such action is commenced within two years from the time the usurious transaction occurred."

Cal. Const. art. XX, § 22:

"Rate of Interest

* * *

The rate of interest upon the loan or forbearance of any money, goods or things in action, or on accounts after demand or judgment rendered in any court of the State, shall be 7 per cent per

annum but it shall be competent for the parties to any loan or forbearance of any money, goods or things in action to contract in writing for a rate of interest not exceeding 10 per cent per annum.

No person, association, copartnership or corporation shall by charging any fee, bonus, commission, discount or other compensation receive from a borrower more than 10 per cent per annum upon any loan or forbearance of any money, goods or things in action.

However, none of the above restrictions shall apply to any building and loan association as defined in and which is operated under that certain act known as the 'Building and Loan Association Act' approved May 5, 1931, as amended, or to any corporation incorporated in the manner prescribed in and operating under that certain act entitled 'An act defining industrial loan companies, providing for their incorporation, powers and supervision,' approved May 18, 1917, as amended, or any corporation incorporated in the manner prescribed in and operating under that certain act entitled 'An act defining credit unions, providing for their incorporation, powers, management and supervision,' approved March 31, 1927, as amended or any duly licensed pawnbroker or personal property broker, or any bank as defined in and operating under that certain act known as the 'Bank Act,' approved March 1, 1909, as amended, or any bank created and operating under and pursuant to any laws of this State or of the United States of America or any nonprofit cooperative association organized under Chapter 4 of Division 6 of the Agricultural Code in loan-

ing or advancing money in connection with any activity mentioned in said title or any corporation, association, syndicate, joint stock company, or partnership engaged exclusively in the business of marketing agricultural, horticultural, viticultural, dairy, livestock, poultry and bee products on a co-operative nonprofit basis in loaning or advancing money to the members thereof or in connection with any such business or any corporation securing money or credit from any federal intermediate credit bank, organized and existing pursuant to the provisions of an act of Congress entitled 'Agricultural Credits Act of 1923,' as amended in loaning or advancing credit so secured, nor shall any such charge of any said exempted classes of persons be considered in any action or for any purpose as increasing or affecting or as connected with the rate of interest hereinbefore fixed. The Legislature may from time to time prescribe the maximum rate per annum of, or provide for the supervision, or the filing of a schedule of, or in any manner fix, regulate or limit, the fees, bonus, commissions, discounts or other compensation which all or any of the said exempted classes of persons may charge or receive from a borrower in connection with any loan or forbearance of any money, goods or things in action.

The provisions of this section shall supersede all provisions of this Constitution and laws enacted thereunder in conflict therewith."

FEB 14 1967

NO. 20474

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JUNE E. BERRY, as the personal
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JOHN H. BERRY, deceased,

Appellant,

vs.

PACIFIC SPORTFISHING, INC., A. O.
LEAVITT and F. E. McEWEN, sole
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Appellees.

APPELLANT'S OPENING BRIEF

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

FILED

FEB 14 1967

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APPELLANT'S OPENING BRIEF

JURISDICTION

This is an appeal by appellant-claimant JUNE E. BERRY from a final judgment [R. 49] ^{1/} dismissing her Amended Claim for damages for a maritime wrongful death filed in an admiralty Limitation of Liability proceeding initiated below by the vessel owners, appellees-petitioners.

Jurisdiction in the District Court of the Limitation of Liability proceeding, and of the instant claim filed therein, is

founded on 46 U. S. C. §185. See also 46 U. S. C. §761. This Court's jurisdiction on appeal arises under 28 U. S. C. §1291.

STATEMENT OF THE CASE

The within cause is an appeal from a final judgment [R. 49] dismissing an Amended Claim for damages for a maritime wrongful death filed in an admiralty Limitation of Liability proceeding commenced by the vessel owners. The Court below permitted filing of the Amended Claim [R. 22-24] but dismissed it without trial and upon its face as barred by the statute of limitations [R. 22-24; 49]. (The applicable statute of limitations is Section 3 of the Death on the High Seas Act, 46 U. S. C. §763, providing a limitations period of two years.)

It is the position of appellant (claimant below) that upon the facts pleaded in the Amended Claim [R. 25-48] the bar of the statute of limitations was avoided by estoppel and waiver and by a state court filing sufficient to toll the limitations period.

There are no conflicts of fact in the instant appeal; the facts on appeal appear in the Amended Claim [R. 25-48], admitted as on demurrer on the motion to dismiss [R. 22-24].

The wrongful death, subject of this action, occurred July 13, 1962. On that date John H. Berry, husband of appellant and father of Ralph D. Berry, was lost overboard and drowned while a passenger on appellees' (the petitioners below) motor vessel The Fisherman in Pacific waters south of Santa Catalina Island and

more than a marine league from the shore of California [R. 25-26].

Claiming negligence by appellees in the operation and control of the vessel as the proximate cause of the decedent's death, appellant (wife) in timely manner and on July 11, 1963 filed a state action for wrongful death in the Superior Court of the State of California for the County of Los Angeles, being Action No. SEC 1889-S [R. 27, 34-36]. In said action appellant was represented by her then attorney L. W. Johnston who was "neither experienced in nor knowledgeable" in admiralty law [R. 27] and who was unaware in filing said state court action that because the death occurred more than a marine league from the shore (the state court complaint alleged the accident occurred "approximately ten (10) miles off the Eastern end of Santa Catalina Island"---R. 35) the exclusive jurisdiction for remedy thereof was in the United States District Court in an action in admiralty under the Death on the High Seas Act, 46 U. S. C. §§761 et seq. [R. 27].

As stated above, the statute of limitations under the Death on the High Seas Act is two years (46 U. S. C. §763). Thus appellant had---but did not then realize it---but one year remaining after filing her state court action in which to refile such action in (or otherwise effect transfer of jurisdiction to) the proper, exclusive jurisdiction, the United States District Court, before the limitations statute ordinarily would have run.

The state court complaint [set forth in full at R. 34-36] was filed July 11, 1963. It alleged negligence against appellees in the operation and control of the boat. On February 5, 1964, appellees,

through their counsel, Overton, Lyman and Prince and Dan Brennan, filed their answer. Appellees' counsel in filing said answer were "knowledgeable and experienced in admiralty and maritime law" and "well knew that the action was filed in the wrong forum" [R. 27-28]; acting "intentionally . . . in a manner calculated to lead [appellant] and her counsel to believe that there was no jurisdictional . . . question" [R. 30], appellees' counsel in said answer [set forth in full at R. 37-39] denied negligence and pleaded contributory negligence and assumption of risk, but pled no matter "formally or informally putting [appellant] on notice that she was proceeding in the wrong forum." [R. 28].

Further in said answer appellees alleged that they "proposed" to file in the United States District Court a petition to limit their liability; however "none of said [appellees] did initiate such a limitation of liability proceeding at that time or at any time until the day after" the two year period when the statute of limitations under the Death on the High Seas Act ordinarily would have run [R. 28].

In detail, the Amended Claim as to appellees' state court answer alleged as follows:

"(d) The law firm of OVERTON, LYMAN & PRINCE and DAN BRENNAN, attorney at law, proctors for petitioners herein, were at all times herein material knowledgeable and experienced in admiralty and maritime law and, on information and belief, well knew that the action was filed in the wrong forum. Nevertheless, said

law firm on February 5, 1964, six months after said complaint was filed and five months before the expiration of the two-year period within which the statute of limitations would have run under ordinary circumstances, lodged an answer thereto without formally or informally putting claimant on notice that she was proceeding in the wrong forum. A copy of said answer is attached hereto, labelled Exhibit B and by this reference made a part hereof.

"(e) In the said answer to the State Court complaint referred to above, petitioners, and each of them, alleged that they 'proposed' to file in this court a petition to limit their liability; however, none of said petitioners did initiate such a limitation of liability proceeding at that time or at any time until the day after the statute of limitations ordinarily would have expired on the claimant's right to commence a Death on the High Seas Action in this court under 46 U. S. C. §761."

---R. 27-28.

Thereafter and on May 8, 1964 and while there yet remained two full months before the limitations period ordinarily would have run, a pretrial conference was held in the state proceedings. Notwithstanding the duty upon appellees and appellees' counsel under California pretrial law generally, and under Rule 210(c) of the California Rules of Court specifically, to formulate and express in said pretrial proceedings the "legal contentions . . . as to the

issues remaining in dispute", appellees and their counsel in said proceedings "did not tender or raise the issue of lack of jurisdiction of the State court." [R. 28, par. (f)]. Specifically, in said pretrial proceedings appellees, through counsel, filed their "Separate Statement of Defendants Pacific Sportfishing, Inc. and F. E. McEwen of Legal and Factual Contentions and of Issues Remaining in Dispute" [Amended Claim, Exhibit C; R. 40-41] in which they raised and treated the issues only of negligence, proximate cause, damages, contributory negligence and assumption of risk, and intentionally concealed and withheld any claim or mention of want of jurisdiction.

In detail as to appellees' conduct in the said state court pretrial proceedings, the Amended Claim alleged as follows:

"(f) On May 8, 1964 a pretrial conference was held in the State Court proceedings, at which time the petitioners herein filed with that court their separate pretrial statement of contentions of fact and law. Said separate statement is attached hereto, labelled Exhibit C and by reference made a part hereof. In said pretrial statement petitioners did not tender or raise the issue of lack of jurisdiction of the State Court, notwithstanding the fact that Rule 210 (c) of the Superior Court Rules, California Rules of Court, requires that each party prepare and submit to the pretrial conference judge, at or before the conference, ' . . . a joint written statement of the matters agreed upon and a joint or separate written statement of

the factual and legal contentions to be made as to the issues remaining in dispute. ' * * *

"(g) In said separate statement the petitioners, and each of them, for the second time, announced their intention of filing a limitation of liability proceeding in this court. Notwithstanding said announcement of intention, none of the petitioners initiated such a limitation of liability proceeding until the first day after the above mentioned statute of limitations would ordinarily have expired. * * *

"(i) Said pretrial conference was held more than two months before the statute of limitations would ordinarily have run on the commencement of an action under the Death on the High Seas Act, 46 U. S. C. §761. No issue of the jurisdiction of the State Court was raised at the pretrial conference by the petitioners. Had the issue of lack of jurisdiction in the State Court to hear and decide the instant case been tendered at the pretrial conference, the claimant would have been actually put on inquiry as to whether the State Court and if not, whether the Federal Court, had jurisdiction in death cases such as the instant one occurring on the high seas beyond one marine league from territorial waters of the State of California, and there would yet have remained in excess of nine weeks before the statute of limitations ordinarily would have expired on a Death on the High Seas Action under 46 U. S. C. §761.

"(j) Because petitioners' attorneys were experienced

and the claimant's attorney was inexperienced in matters of admiralty and maritime law, and because the jurisdiction issue referred to above was never mentioned in the State Court proceedings, notwithstanding the petitioners' obligation to tender all issues of fact and law known to them at the time of the pretrial conference, the claimant was lulled by petitioners into a false sense of security with respect to the appropriateness of the forum she had chosen for the litigation of the instant claim. "

---R. 28-30.

The Amended Claim described the state court proceedings subsequent to the pretrial hearing, and the subsequent initiation in the court below of the Limitation of Liability proceedings, intentionally withheld until just one day after the running of the statute of limitations, as follows:

"(k) At said pretrial conference the State Court case was set five months ahead for trial on October 5, 1964. Nine weeks after said pretrial conference, or more specifically on July 13, 1964, the two-year period, i. e. the ordinary period for the statute of limitations, ran on the Death on the High Seas Action. On the very next day, that is July 14, 1964, petitioners initiated the instant limitation of liability proceeding by causing to be executed Petitioners' Stipulation for Costs, Affidavit of Value of the "Fisherman" and Interim Stipulation, which documents were filed two and

three days later, on July 16, 1964 and July 17, 1964, respectively. On the third day after said two-year period had expired, the instant petition was filed with this court, and on the following day this court issued its order restraining the initiation or prosecution of any litigation arising out of the death of JOHN H. BERRY except in the instant proceedings.

"(1) By reason of the conduct of petitioners as herein-above set forth, petitioners and their counsel intentionally acted in a manner calculated to lead claimant and her counsel to believe that there was no jurisdictional or other question relating to claimant's cause of action. By this conduct claimant and her counsel were so misled at times when there still remained adequate opportunity to file her death claim in the proper court and under the appropriate statute. Petitioners then deliberately waited until the two-year period after the death of claimant's husband had expired before instituting the proceeding herein, wherein for the first time they raised the issue of jurisdiction in the State Court action, which issue they could, and in the exercise of ordinary fairness and their obligation under the rules of said court should, have raised in the State Court many months before.

"Petitioners were fully put on notice of the accident and of claimant's claim with respect thereto when the State Court action was instituted and were adequately put on notice to

defend themselves within the two-year statutory period so as not to render it unfair to petitioners to require that they defend this claim on the merits. In this case the interests of justice require that claimant's rights be vindicated in accordance with the humanitarian policy of the law, particularly in view of the fact that it can be done without unfairness to petitioners."

---R. 30-31.

As indicated in the above excerpt, appellees filed below their Petition for Exoneration from or Limitation of Liability on July 16, 1964 [R. 2]. Appellant thereupon filed below her original Claim seeking recovery for wrongful death [R. 31, par. (m)]. Appellees, in response, filed their answer to said claim pleading, inter alia, the claimed bar of the two year period of limitations under the Death on the High Seas Act (46 U. S. C. §763) [R. 31, par. (m)].

Thereupon, after leave [R. 22-23], appellant filed her Amended Claim [R. 22-48] setting forth the matters summarized and excerpted above, and pleading that by force thereof appellees "have waived and are and should be estopped from asserting the affirmative defense of the running of the statute of limitations . . . and the said statute has been tolled and extended by the filing of the State Court action [and the acts and conduct of appellees]." [R. 27, lines 7-11].

In response to appellant's Amended Claim appellees moved

to dismiss the same as "barred by the statute of limitations" [R. 23, lines 23-24], which motion was granted [R. 24]. Thereupon judgment of dismissal on the grounds of the bar of the statute of limitations was entered [R. 49]. From that judgment this appeal is prosecuted.

SPECIFICATION OF ERRORS RELIED UPON

Upon this appeal appellant contends:

(1) That the dismissal of appellant's Amended Claim below was erroneous because, upon the facts alleged in the said Amended Claim and admitted by the motion to dismiss, appellees have waived and are and should be estopped from asserting the affirmative defense of the statute of limitations under the Death on the High Seas Act;

(2) That the dismissal of appellant's Amended Claim was erroneous because, under the facts alleged in said Amended Claim and admitted by the motion to dismiss, the running of the statute of limitations under the Death on the High Seas Act was tolled and extended by the filing by appellant of the timely California state court action for wrongful death described in the Amended Claim.

ARGUMENT

I

ON THE PLEADED FACTS UNDER THE AMENDED CLAIM APPELLEES ARE BARRED BY ESTOPPEL AND WAIVER FROM INVOKING THE STATUTE OF LIMITATIONS.

The base premise of estoppel and waiver law with respect to statute of limitations problems is that if a defendant or his representative or counsel by acts or words misleads a plaintiff into doing or refraining from any matter by force of an induced reliance or belief that no bar by the statute of limitations will or can be raised, the actor is estopped from raising such defense. (Glus v. Brooklyn Eastern Terminal (1959), 359 U.S. 231, 232-234; Thompson v. Phenix Insurance Co. (1890), 136 U.S. 287, 299; Dawson, "Estoppel and Statutes of Limitations", 34 Mich. L. Rev. 1, 15-25; Comment, "Developments in the Law of Statutes of Limitations", 63 Harv. L. Rev. 1177, 1222-1224; 34 Am. Jur. 325-333; 1 Wood on Limitations, 179-182; Annotation, "Estoppel to Plead the Statute of Limitations", 130 A. L. R. 8-67, and supplement thereto in 24 A. L. R. 2d 1413-1449; 53 C. J. S. 962-965.)

Grounded on this deep-rooted foundation, it is now established law, as will hereafter be developed, that if a litigant-defendant purposefully miscasts an answer or other pleading so as to intentionally omit, obscure or mislead as to a defect in the plaintiff's cause curable before expiration of the statute of limitations but not thereafter, such defendant after the running of the

statute of limitations will be estopped from invoking that defense or from taking any other advantage from his misleading act.

Further, it is also established law, as will also be developed hereafter, that wherever a person is subject to a duty to speak, the law requires that he speak fully and fairly, and if he fails so to do his failure of duty cannot be suffered to build for him, or preserve to him, a right to a statute of limitations defense; he will be estopped to invoke the statute.

The instant case involves violations of both of these estoppel rules of law. Appellees, through counsel, deliberately miscast their state court answer so as to omit, obscure and mislead as to the defect of exclusive Federal jurisdiction. Additionally, in the state court pretrial proceedings they repeated the same omission and concealment---this time in the face of a clear duty of law to state fully and fairly the "issues remaining in dispute". Both of these acts they did while ample time remained wherein the defect of exclusive Federal jurisdiction might readily have been cured by a simple refileing in the Federal court, and the prevention of that cure was appellees' very purpose.

Consider, in specifics, the timing, circumstances and nature of what appellees did. Knowing (from experience and expertise in admiralty law, which appellant's then attorney did not have) that appellant's state court action was without jurisdiction [Amended Claim, pars. 12(c) and (d); R. 27-28], and knowing appellant and her then attorney were unaware thereof and believed the action was validly pending, and "intend[ing]" specifically to

Applying to the foregoing facts the principles of estoppel law previously mentioned, it is clear that appellees at bar are estopped from now benefiting from their own wrong by invoking the statute of limitations.

(1) Firstly, as heretofore stated, it is established law that if a litigant-defendant intentionally casts an answer or other pleading in a misleading way so as to conceal or obscure a defect in the plaintiff's cause curable before expiration of the statute of limitations but not thereafter, estoppel will bar such defendant from taking advantage of his own wrong by invoking the statute of limitations defense. Thus at bar, where appellees intentionally cast their state court answer to raise only negligence, contributory negligence and assumption of risk and to conceal and withhold any claim or mention of want of jurisdiction [Amended Claim, par. 12(d) and Exhibit B; R. 27-28, 37-39], "intend[ing]" specifically to mislead appellant and her attorney "to believe there was no jurisdictional" defect and to "lull [them] into a false sense of security" until cure should be impossible, appellees are estopped now to raise to their own benefit the statute of limitations.

A case strongly in point is Weade v. Trailways of New England, Inc. (C.A.D.C., 1963), 325 F.2d 1000. There the plaintiff sued the wrong one of two corporations as the owner and operator of the bus which claimedly had caused plaintiff's accident and injury. The corporation sued, allegedly in conspiracy with the second corporation truly at fault and with the very purpose of

permitting the statute of limitations to run so plaintiff could not amend, did not directly deny in its answer that it was the bus owner or operator or allege the identity of the true owner and operator, but filed only a misleading, blanket general denial obscuring and concealing plaintiff's error in suing the wrong corporation. Thereafter, waiting until after the statute of limitations had run so no cure could be had, the corporation sued moved for summary judgment which was granted by the trial court.

The Court of Appeals reversed the order of summary judgment and directed the trial court to make findings whether the misleading pleading had been filed pursuant to a concerted purpose "to deceive by withholding from the District Court and from the plaintiff-appellant until . . . after the statute of limitations had run" (p. 1000) the fact that the wrong defendant had been sued. Relying inter alia upon the Zielinski and Denver cases hereafter discussed, the Court ruled that if the answer had been filed with such concerted purpose to deceive and mislead, both the corporation sued and the corporation truly responsible would be "estopped" to plead the statute of limitations, and the corporation sued would be further estopped to deny ownership and operation. Said the Court at page 1000:

"The plaintiff-appellant urges that the defendant-appellee Trailways of New England, Inc., and the firm of counsel representing it, conspired with Safeway Trails, Inc., to deceive by withholding from the District Court and from the plaintiff-appellant until well after the statute of

limitations had run against Safeway Trails, Inc., the fact that the defendant-appellee was not a proper party defendant; that the defendant-appellee is estopped by its actions to assert that it is not a proper party defendant; and that Safeway Trails, Inc., is estopped to plead the statute of limitations and should be added as a party defendant. The District Court, however, made no findings and conclusions on these points, which appear on the record before us to raise substantial issues of fact and law." (Emphasis added.)

Emphasizing that the misleading general denial did not give fair notice of the true defense of wrong party sued, and emphasizing further that this was underlined and aggravated by the omission (as at bar) "to move immediately for summary judgment", the Court at page 1001 further observed:

"In our view, the present record does not support the suggestion that the general denial in defendant-appellee's answer 'was the plainest kind of notice to Weade that he had sued the wrong corporation.' The relevant paragraph of the complaint includes allegations of date, place, injury, identity of bus driver, identity of bus owner and operator, collision, negligence of driver, negligence of company, and driver's status as agent, servant, or employee. Defendant-appellee's denial of 'each and every allegation' of this paragraph, rather than a specific admission of certain allegations, positive denial of others, and denial

of others only on the basis of lack of knowledge or information sufficient to form a belief, was, especially in the light of the failure to move immediately for summary dismissal, hardly calculated to give 'plain notice.' And defendant-appellee's later answers to plaintiff-appellant's interrogatories tend to suggest that defendant-appellee knew plaintiff-appellant did not have such notice. The case is therefore remanded to the District Court with directions to vacate the judgment entered, to make findings of fact and conclusions of law as to the points mentioned, and to enter judgment as it may then be advised."

The Weade case is strongly persuasive authority at bar.

As in Weade, the pleadings at bar were misleading and obscuring and failed to give fair notice of the true defense relied on (want of jurisdiction), and as in Weade it is expressly alleged at bar that the misleading and omissive features of the affected pleading allegations were intentional and characterized by purpose to deceive. Moreover, as in Weade appellees at bar failed to move in the state court proceedings for summary dismissal, which failure the Weade decision particularly notes aggravates the deceiving effect of the misleading pleading.

A second decision illuminative at bar, cited approvingly in Weade (325 F.2d at 1001), is Zielinski v. Philadelphia Piers, Inc., (U.S.D.C. E.D. Pa., 1956), 139 F.Supp. 408. There again, as in Weade, the plaintiff sued the wrong one of two corporations as

the owner and operator of a fork-lift which claimedly had caused plaintiff's accident and injury. Plaintiff sued corporation A whereas the true owner and operator was corporation B (operating under a lease from A). A and B had the same insurance company but were otherwise separate companies.

As in Weade the corporation sued (A) did not as required by Federal Rule 8(b) deny plaintiff's allegations of ownership and operation specifically but filed only an uninformative, misleading general denial. Additionally, in answering interrogatories A obscured the circumstance that the insurance report as to the accident was filed not by its employees but by employees of B, a fact which could have alerted plaintiff to his mistake of parties sued. It was held in such circumstances corporation A would be estopped to deny it was the true owner and operator, the statute of limitations having run to bar any claim against corporation B (which was not a party to A's misleading acts). Said the Court there at pages 413-414:

"Under the circumstances of this case, principles of equity require that defendant be estopped from denying agency because, otherwise, its inaccurate statements . . . in the record . . . will have deprived plaintiff of his right of action. If Interrogatory 2 had been answered accurately by saying that employees of Carload Contractors, Inc. had turned the matter over to the insurance company [or had the answer to the complaint been specific in denials of ownership and operation] it seems clear that plaintiff would

have realized his mistake. . . . At least one appellate court has stated that the doctrine of equitable estoppel will be applied to prevent a party from taking advantage of the statute of limitations where the plaintiff has been misled by the conduct of such party. See Peters v. Public Service Corporation, 132 N.J.Eq. 500, 29 A.2d 189 [where the Court said] at page 196: 'Of course, defendants were under no duty to advise complainant's attorney of his error, other than by appropriate pleadings, but neither did defendants have a right, knowing of the mistake, to foster it by its acts of omission.' " (139 F.Supp. at pp. 413-414, emphasis added.)

The principle and holding of the Zielinski case apply directly at bar. Here, as there, by "act of omission"---the deliberate omission in the answer of any claim or mention of improper jurisdiction, curable before the statute of limitations should run but not thereafter---appellant has been "misled by the conduct" of the pleader; here, too, therefore, "estoppel" bars any profit through plea or operation of the statute of limitations.

Also in point (and also cited approvingly in Weade in 325 F.2d at 1001) is Denver v. Forbes (U.S.D.C. E.D. Pa., 1960), 26 F.R.D. 614. There the plaintiff was injured by an automobile driven by A. B and A were mother and daughter and had the same name except for their middle initials. In pre-litigation negotiations the insurance company negotiated in the name of B, the mother,

and prepared the proposed releases in her name, although aware that the plaintiff believed she was negotiating with respect to the driver, the daughter, A. Negotiations failed and plaintiff, misled as above described, mistakenly sued B, alleging she was the driver and had operated the car negligently, striking plaintiff and causing the injuries sued for. In response, B's attorney filed an answer containing only a "bald general denial" and an affirmative plea of contributory negligence but raising no issue of wrong party sued. Moreover, thereafter in breach of a pretrial duty of law to file a statement of contentions within thirty days, B's attorneys failed and omitted to file such required statement for three months and until one month after the statute of limitations had expired. Then, for the first time, they explicitly declared in their statement as filed that B was not the driver of the car nor was the car being driven under her agency. Although the statute of limitations had run, plaintiff thereupon moved immediately for leave to amend to change B's name to A's.

On the authority of the Zielinski decision above, the Court in Denver v. Forbes held both A and B were "estopped" to take any advantage from the above described conduct, and since the same insurance company insured and represented both A and B it was ordered that A be directly substituted in the action in place of B and without right to plead the statute of limitations. The Court at page 616 observed:

"The insurance company was aware of the actual facts well within the two-year period after the accident, and that no

harm will be done if the daughter is substituted for the mother as defendant in the action is plainly evident."

The applicability of the Weade, Zielinski and Denver decisions to the cause at bar is clear. At bar as in the cited decisions appellant (the plaintiff in the state court proceedings) was mistaken and misconceived as to a legal matter of defense curable before but not after a running of the statute of limitations. Further, at bar as in the cited decisions appellees (the defendants in the state court proceedings) were aware of appellant's mistaken conception. In such stated premises appellees at bar, as the defendants in the cited decisions, were required by the law of pleading to answer the complaint in a manner setting forth fully, lucidly and fairly their true defenses, without either confusions or omissions deliberately calculated to continue appellant's mistake and misconception until after the statute of limitations had run. As summed up succinctly in Zielinski, " 'Of course, defendants were under no duty to advise complainant's attorney of his error, other than by appropriate pleadings, but neither did defendants have a right, knowing of the mistake, to foster it by its acts of omission. ' " (139 F. Supp. at 414.)

(2) Moreover, at bar appellees, through counsel not merely filed a misleading answer in the state court proceedings but beyond that breached as well the duties of candor and fair statement owed under law in the state court pretrial proceedings. Counsel for

appellees in their "Separate Statement of Defendants Pacific Sport-fishing, Inc. and F. E. McEwen of Legal and Factual Contentions and of Issues Remaining in Dispute " [Amended claim, Exhibit C; R. 40-41] raised and treated the issues only of negligence, proximate cause, damages, contributory negligence and assumption of risk, and intentionally cast their said Separate Statement to conceal and withhold any claim or mention of want of jurisdiction. They did this "intentionally . . . [and] in a manner calculated to lead claimant [appellant] and her counsel to believe there was no jurisdictional . . . question relating to claimant's cause of action." [Amended Claim, par. 12(1); R. 30.]

Under California law, as generally, it is an affirmative duty of law of all counsel to formulate and express to the court and to opposing counsel and parties a full, fair and accurate statement of all contentions of fact and law to be put in issue at the trial. Rule 210(c), California Rules for Superior Courts, captioned, "Duties of Attorneys in Respect to Pretrial Conferences" (emphasis added), enjoins upon all counsel a duty "at or before the conference" to prepare and submit "a . . . written statement of the factual and legal contentions to be made as to the issues remaining in dispute."

By definition and on principle this statement must be fair, accurate and complete. This because the entire purpose of pretrial proceedings is to "place the case in focus so that the defined and precise issues" may be readied by court and all parties for expeditious trial (Fitzsimmons v. Jones, 179 Cal. App. 2d 5, 8); the central object is to elicit and express "the real and substantial

issues in the case." (Baird v. Hodson, 161 Cal.App.2d 687, 689; Windiate v. Moore, 201 Cal.App.2d 509, 517; Witkin, California Procedure, 1963 Supp., 525-526.) The "purpose . . . is to clarify and define the issues" (Meyer Koulish Co. v. Cannon, 213 Cal.App.2d 419, 433; Taylor v. S. & M. Lamp Co., 190 Cal.App.2d 700, 707), to the end of "the elimination of unjustifiable expense and delay." (American Home Assurance Co. v. Essy, 179 Cal.App.2d 19, 21.)

"A lawsuit is not a game of wits nor should the one with the most wealth or guile have an undue advantage over another. . . . At the conference the attorneys, with the assistance of the judge, should make every effort to reduce the case to those basic matters actually remaining in dispute and to sharply define those issues in the conference order so that each party may limit his preparation and proof accordingly."

---California Judicial Council, "California Manual of Pretrial Procedure", 31 Calif.St.Bar Jour. Supp. 1, 5-7.

Matters of pure law, such as the sufficiency of pleadings and issues of jurisdiction and the like, are particularly to be raised and resolved in the pretrial proceedings, not left for later raising or resolution. Otherwise, "[c]onceivably weeks of trial preparation and large expenditures of money might be incurred . . . all to no avail." (Taylor v. S. & M. Lamp Co., supra, 190 Cal.App.2d 700, 707.) Specifically included here are questions of "establishing

jurisdiction":

"The matter of amendment of the pleadings in the light of [developments at the pretrial] should be determined; and as an adjunct the matter of identifying the parties as being proper and establishing jurisdiction. . . . In many cases it is of great benefit to explore the possibility of getting a ruling on an issue that may be determined as a matter of law to save assembling and producing factual proof unnecessarily. . . . "

---California Judicial Council, "California Manual of Pretrial Procedure", supra, 31 Calif.St. Bar Jour.Supp. 1, 8-9.

Thus it is an affirmative duty of law on all counsel in California state courts to fairly and fully state the true issues of dispute in pretrial proceedings. The duty runs to the court as well as to opposing parties and counsel, and, indeed, is enforceable ultimately under the powers of contempt. (Cantillon v. Superior Court, 150 Cal.App.2d 184, 187.)

It is familiar law that silence or omission to speak where there is in law a duty to speak can readily raise an estoppel. The maxim is, "One who is silent when he ought to speak will not be heard to speak when he ought to be silent." (19 Am.Jur. 662, Hayward v. National Bank, 96 U.S. 611, 617; Morgan v. Railroad Company, 96 U.S. 716, 720; United States v. Shrewsbury, 90 U.S. 508, 518; Consolidated Fruit Jar Co. v. Wright, 94 U.S. 92, 96.

Bank of United States v. Lee, 38 U.S. 100, 111; 3 Story's Equity Jurisprudence (14th Ed.) 582-583; 31 C.J.S. 494; Bigelow on Estoppel (6th Ed.) 648.)

Moreover, at bar the conduct of appellees' counsel in the state court pretrial proceedings in raising and treating in their Separate Statement the issues only of negligence, proximate cause, damages, contributory negligence and assumption of risk, and failing and omitting therein to make any claim or statement of want of jurisdiction, was not merely an act of omission and silence but an affirmative act of misspeaking. To state, in short, that the issues are A, B and C when truly they are A, B, C and D, and D is a crucial and decisive included issue, is not merely to omit but to affirmatively misrepresent, and this was done at bar in an area where the law requires integrity and candor.

Further, the misstating of the issues to conceal and obscure the issue of want of jurisdiction in the state court pretrial proceedings was a calculated misstatement by appellees' counsel, designed deliberately to mislead the California court and appellant and her counsel for the very purpose of gaining time to permit the statute of limitations to run. The state court pretrial proceedings were held May 8, 1964, while there yet remained two full months before the limitations statute would run in which the want of state court jurisdiction could be cured by a simple refile in Federal court. It was appellees' very purpose at the pretrial proceedings to cause the California court and appellant and her counsel to continue the California action without awareness of the issue of

Federal court exclusive jurisdiction and to continue to prepare for a full California trial notwithstanding that exclusive Federal jurisdiction made such preparations and proceedings moot and idle.

To appellees and their counsel it was no matter that the California court should keep an idle and needless case on its rolls and calendar, and no matter that appellant and her counsel should be misled, as should the court, to prepare for trial as upon the merits. Appellees' purpose required that the misconception as to jurisdiction by the California court and appellant and her counsel should continue until it should be too late to cure by a new, Federal action---notwithstanding, and in disregard of, the duties and mandate of California pretrial law for full and fair disclosure.

Thus at bar not only was there deliberate omissive and misleading conduct by appellees with respect to their duties regarding fair pleading, but, as well, with respect to the duties imposed in pretrial proceedings under California law. Appellees cannot now take advantage from their own wrong; under the Weade, Zielinski and Denver cases they are estopped now from invoking the statute of limitations as a defense.

(3) Additionally, applicability of estoppel and waiver at bar under the principles of the Weade, Zielinski and Denver cases is underscored by the policy thesis in Burnett v. New York Central Ry. Co., 380 U.S. 424, argued in detail hereafter under Point II below. That thesis emphasizes that liberal relief is to be granted from the bar of a limitations statute where a defendant is put upon

full notice of a plaintiff's claim within the limitations period and hence "[can] not have relied upon the policy of repose embodied in the limitations statute." As is hereafter developed, the Burnett case emphasizes that the policy objective of statutes of limitations is to prevent surprise and sleeping on rights, and where a defendant is put upon full and complete notice of a plaintiff's claim of rights, and particularly where this is done by a timely-filed but unwittingly defective judicial proceeding with service and appearance, the policy of the law tends strongly to favor "vindication of the plaintiff's rights." (380 U.S. at p. 428.)

Development of the Burnett case policy thesis is deferred to the treatment below under Point II but note is made here of the applicability of that policy thesis in aid of relief based upon estoppel and waiver upon the facts at bar under the estoppel principles of the Weade, Zielinski and Denver cases.

II

UNDER BURNETT v. NEW YORK CENTRAL RY. CO. APPELLANT'S CALIFORNIA STATE COURT ACTION TOLLED THE STATUTE OF LIMITATIONS AT BAR.

Under the Supreme Court decision in Burnett v. New York Central Ry. Co. (1965), 380 U.S. 424, appellant's California state court action, putting appellees on full notice of appellant's claims, and initiated in premises wherein judgment could have been had without issuance of new process and wherein all policy supports

for the statute of limitations were avoided or satisfied, was sufficient to toll the running of the statute of limitations and to thereby make timely appellant's original and amended claims filed herein.

The facts in the Burnett case were these. Plaintiff, a resident of Kentucky and an employee of the defendant railway, was injured in Indiana in the course of his employment. For unstated reasons of convenience plaintiff attempted to sue defendant on his Federal Employers Liability Act cause of action in Ohio. The accident occurred March 17, 1960 and plaintiff instituted his Ohio action in timely manner on March 13, 1963, before expiration of the three-year FELA statute of limitations.

Under Ohio law no Ohio court had proper venue for plaintiff's action; Ohio venue would lie only in the county of plaintiff's residence or of the accident situs, and, as seen, plaintiff was a non-resident of Ohio and the accident situs was in Indiana. Thus no Ohio court had proper Ohio venue and there was, therefore, no court to which transfer might be made upon a plea of improper venue. Defendant moved to dismiss for improper venue and this motion was granted on June 4, 1963, approximately two weeks after the three-year statute of limitations had expired (March 17, 1963).

Thereupon, plaintiff promptly (within eight days) refiled his action in Federal court. In the Federal court plaintiff contended his Federal filing was timely despite the running of the statute of limitations because the filing of his state court action was in good faith, with service of process on defendant and full notice to

defendant of plaintiff's claim, and should suffice to toll the statute because satisfying all of the statute's policy considerations. The Supreme Court agreed and sustained plaintiff's Federal action.

The Supreme Court's reasoning was deep-going and extends in full principle and policy to the case at bar. The Court reasoned that statutes of limitations "are primarily designed to assure fairness to defendants" to "prevent surprises through revival of claims that have been allowed to slumber until evidence has been lost." (380 U.S. at p. 428.) The fundamental object, said the Court, is "to put the adversary on notice to defend within the period of limitations." (p. 428.) In the case before it, said the Court, this basic purpose had been satisfied. Observed the Court, "Service of process was made upon respondent [in the timely Ohio action] notifying him that petitioner was asserting his cause of action," and while the Ohio court did not have venue the action there showed a Federal action was not neglected out of disinterest but was not filed "solely because [the petitioner] felt that his state action was sufficient." (p. 429.) "Respondent," therefore, "could not have relied upon the policy of repose embodied in the limitations statute, for it was aware that petitioner was actively pursuing his . . . remedy." (pp. 429-430.) It is recognized at least in proper and humanitarian circumstances, said the Court, "that the filing of a lawsuit 'itself shows the proper diligence on the part of the plaintiff which . . . statutes of limitations were intended to insure.' " (p. 430.)

Noting that Federal statutes and the statutes of many states

allow transfer after the statute of limitations has run of actions barred by venue or like nonsubstantive defects where transfer can be had within the courts of the affected jurisdiction, and other kindred statutes provide for a period of forgiveness during which a refiling will be allowed within the courts of the affected jurisdiction, the Court observed that such relief could not be had in the case there at bar only because there was no Ohio court with proper venue to which transfer could be had. This mere added circumstance, the Court reasoned, should not be permitted to defeat plaintiff's litigation rights. The remedy, said the Court, was to toll the FELA statute of limitations for the period of the pendency of the state action and until dismissal thereof should become final by an appeal or the lapse of time for appeal, and to permit a Federal filing at any time within this extended period.

The Court reasoned that the FELA statute was, in whole, a "humane and remedial Act" (p. 427) and its "humanitarian purpose . . . makes clear that Congress would not wish a plaintiff deprived of his rights when no policy underlying a statute of limitations is served in doing so." (p. 434.)

The Burnett case is on all fours with the case at bar except for the single circumstance that in Burnett the defect requiring dismissal of the timely state court action was an incurable defect in venue, whereas at bar the defect in the state court action was a defect in jurisdiction. But upon two bases this difference fails to distinguish the Burnett case from the case at bar and leaves the Burnett decision controlling here.

Firstly, the core and thrust of the Burnett case is that a timely albeit defective state court action tolls the Federal statute of limitations because it satisfies all policy objectives of a limitations period. Plainly this thesis applies regardless of the nature of the defect requiring dismissal of the notice-giving state proceedings.

Secondly, at bar the defect in the state action is fully equatable to the defect concerned in Burnett for here, as there, it was possible for the defendant to elect so to act that the state action could have resulted in a judgment without need for issuance of new process. Just as the defendant in Burnett as the Supreme Court there noted at p. 429 could have elected to waive venue objection, so at bar appellees could have moved to remand the state proceedings to a Federal court which under applicable law would then have retained jurisdiction without issuance of new process despite the state court's defective jurisdiction so long as remand was had before the expiration of the statute of limitations period. Hence Burnett at bar is fully satisfied.

(1) Treating these points in sequence, it is first evident that the controlling policy thesis of Burnett was that the timely but defective state proceedings tolled the Federal statute of limitations because the giving to the defendant there of full notice of the plaintiff's legal claim satisfied in full the policy objectives of a limitations period. This policy thesis of the Burnett decision applies with full and equal force whatever the character of the

defect in the timely-filed state court proceedings. In point of fact Burnett involved a defect of venue rather than of subject matter jurisdiction, and the Court noted this circumstance, but the policy-thesis is and was unaffected by such feature. The controlling thesis of Burnett is the Court's declaration that the "primary design" of statutes of limitations is to "prevent surprises" and to "put the adversary on notice to defend within the period of limitations," and that this objective is fully satisfied by the filing of timely but defective state proceedings, with service of process, putting the defendant on full notice of the plaintiff's legal claim. (p. 428.) In such a case, says Burnett, the state court proceedings "put the adversary on notice to defend within the period of limitations" and the defendant cannot invoke the statute of limitations because he "[can] not have relied upon the policy of repose embodied in the limitations statute." (pp. 428, 430.) The case is one, declares Burnett, where the "policy of repose . . . is outweighed . . . [by] the interests of justice [which] require vindication of the plaintiff's rights." (p. 428.)

"[When] a defendant has had notice from the beginning that the plaintiff sets up and is trying to enforce a claim against it because of specified conduct, the reasons for the statute of limitations do not exist, and . . . a liberal rule should be applied."

---New York Central Ry. Co. v. Kinney,

260 U.S. 340, 346;

cf. Order of Railway Telegraphers v. Railway

It is evident that the deep-going policy thesis of Burnett--- that where timely but defective state court proceedings, with service of process, place a defendant fully on notice of a plaintiff's legal claim, a statute of limitations as to a Federal court filing should be tolled---applies fully in fact and in principle at bar. Indeed, at bar appellees were not merely made aware of and served with process in the state court proceedings but actually themselves connived therein to prolong those very proceedings despite their defect until the limitations period should run, so that appellees might then turn the statute's purpose of protection into a weapon to defeat appellant's right to sue upon the merits. Because of this seriously aggravating feature the case at bar is particularly one where, in the language of Burnett, the "policy of repose . . . is outweighed" and where "the interests of justice require vindication of the plaintiff's rights." (p. 428.)

Furthermore, at bar as in Burnett the nature of the statutory right sued upon by appellant re-enforces a liberal, right-preserving approach to the statutory-construction question as to the permissibility of tolling the limitations period allowed. The right of action at bar arises under the Federal Death on the High Seas Act (46 U.S.C. §§ 761-768) and the limitations period is the two-year period allowed by Section 3 of that Act (46 U.S.C. §763). Being a "wrongful death" statute, the Federal Death on the High Seas Act is, like the FELA involved in Burnett, a "humane and remedial Act" and its "humanitarian purposes" require its

limitations period to be liberally interpreted where literal enforcement would forfeit rights "when no policy underlying a statute of limitations is served in doing so." (380 U.S. at pp. 427, 434.) (Van Beeck v. Sabine Towing Co., 300 U.S. 342, 350-351; Latimer v. Sears, Roebuck & Co. (C.A. 5, 1960), 285 F.2d 152, 158; Hord v. National Homeopathic Hospital (U.S.D.C. D.C., 1952), 102 F.Supp. 792, 793-794.)

Thus the humanitarian and liberal-interpretation policy thesis of Burnett that prior timely but defective proceedings toll the statute of limitations if sufficient to put the defendant on full notice of the plaintiff's legal claim, applies at bar even if the specific holding of Burnett be assumed to be distinguishable or inapplicable.

(2) Moreover, the cause at bar in any event comes within the specific holding of Burnett. The holding in Burnett was that because the venue defect present in the state proceedings there could have been waived (380 U.S. at p. 429) by the defendant there (though it was not and the proceedings in actuality were dismissed), the case was one which could have led " 'to final judgment without issuance of new initial process, ' " and being so characterized was " 'enough to commence the action within the Federal statute. ' " (380 U.S. at p. 426, quoting from Herb v. Pitcairn, 325 U.S. 77, 79.) By this test the cause at bar qualifies equally with the cause at issue in Burnett.

It is true that at bar the defect in the state court action was

one of no "jurisdiction," not merely of no "venue." But in Burnett the venue objection was closely akin to a defect of jurisdiction because there there was no Ohio court to which transfer could be made because no Ohio court had proper venue. The action, therefore, was required to be, and was, dismissed. Nonetheless the Supreme Court held the action tolled the statute of limitations because the action could have proceeded to judgment without issuance of new process because the defendant could have waived the venue objection had it elected so to do. This is crucial for at bar the circumstances are fully parallel.

At bar the timely-commenced California court proceedings could have proceeded to a final judgment without commencement of a new action and issuance of new process since appellees could have elected within the limitations period to remove the case to Federal court. Appellant could not have compelled appellees to move to remand, but neither could the plaintiff in Burnett have compelled the defendant there to elect to waive its venue objections. Had the appellees effected a remand to the Federal court in the case at bar, the Federal court under applicable law would have retained the action despite the state court's original lack of jurisdiction, and the proceedings thus could have proceeded to ultimate judgment without issuance of new process, provided only that the remand was effected before a running of the statute of limitations.

Squarely in point is Devlin v. Flying Tiger Lines (U. S. D. C. S. D. N. Y. , 1963), 220 F. Supp. 924. There precisely as at bar a state court action was instituted upon a Federal Death on the High

Seas Act claim. The defendant removed the cause to the Federal court and then contended for dismissal because of the state court's original lack of jurisdiction as to a Death on the High Seas Act right of action. The Federal court held the state court had no jurisdiction but that since the statute of limitations had not run and dismissal would merely require the "meaningless acts" of a new filing and new issuance of process, the Federal court could and would retain the cause without dismissal, simply transferring it to the admiralty side for admiralty hearing. Said the Court there at page 928:

"Since the state court had no jurisdiction of the action, this court cannot acquire any by virtue of removal, even though the action could have been instituted here originally. Inasmuch as the action would be dismissed without prejudice to the filing of a libel in admiralty, and since the statute of limitations has not run to prevent the filing of such a new action, this court deems it pointless to go through meaningless acts. Accordingly, this case is transferred to the admiralty side of this court. "

In a subsequent decision of Cunningham v. Bethlehem Steel Co. (U. S. D. C. S. D. N. Y. , 1964), 231 F. Supp. 934, 937, the procedure in and the reasoning and analysis of the Devlin case is expressly approved and followed.

Thus, in fine, appellees at bar just as the defendant in

Burnett could have elected to allow the proceedings commenced in the state court to proceed to an ultimate judgment without issuance of new process. Hence the cause here is within the specific holding of the Burnett decision, as well as within its humane, liberal policy-thesis. As the Supreme Court in Burnett observed, quoting from Herb v. Pitcairn, 325 U.S. 77, 79,

" '[When] process has been adequate to bring in the parties and to start the case on a course of judicial handling which may lead to final judgment without the issuance of new initial process, it is enough to commence the action within the Federal statute.' " (380 U.S. at p. 426.)

CONCLUSION

WHEREFORE, for all of the reasons and considerations above stated it is respectfully submitted that the statute of limitations constituted no valid bar or defense below and the judgment dismissing appellant's Amended Claim on the ground of the statute of limitations should be reversed and the cause reinstated for trial.

Respectfully submitted,

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CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

/s/ Ben Margolis

BEN MARGOLIS

No. 20474

FEB 14 1967

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

JUNE E. BERRY, as the personal representative of the
Estate of JOHN H. BERRY, deceased,

Appellant,

vs.

PACIFIC SPORTFISHING, INC., A. O. LEAVITT and F. E.
McEWEN, sole owners of the boat "FISHERMAN",

Appellees.

Appeal From the United States District Court for the
Southern District of California, Central Division.

APPELLEES' REPLY BRIEF.

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No. 20474

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

JUNE E. BERRY, as the personal representative of the
Estate of JOHN H. BERRY, deceased,

Appellant,

vs.

PACIFIC SPORTFISHING, INC., A. O. LEAVITT and F. E.
McEWEN, sole owners of the boat "FISHERMAN",

Appellees.

Appeal From the United States District Court for the
Southern District of California, Central Division.

APPELLEES' REPLY BRIEF.

Counter-Statement of the Case.

Appellant's brief obscures the fact that his *own* actions precipitated the judgment against him. Appellant's contentions misconstrue two points: First, the relationship of opposing counsel in an adversary system, and second, the relationship of each counsel to his own client. Furthermore, appellant's brief omits essential facts. Before reviewing those facts and the applicable law appellees touch on a procedural point.

A. The Procedure in the District Court.

Appellant moved in the District Court for an order permitting her to file an amended claim. Petitioners filed a memorandum opposing the filing of the amend-

ed claim, supported by an Affidavit of Dan Brennan, petitioners' counsel. [Ex. A attached to Petitioners' Memorandum.] After oral argument on appellant's motion to file an amended claim, Judge Crary, at the suggestion of appellant, ordered the amended claim be filed, that petitioners be deemed to have orally moved to dismiss the amended claim, and that petitioners' oral motion to dismiss the amended claim be granted. This procedure in the District Court was agreed to by all counsel [Tr. pp. 22-26] and was consistent with General Admiralty Rule 44, which provides:

“In suits in admiralty in all cases not provided for by these rules or by statute, the District Courts are to regulate their practice in such a manner as they deem most expedient for the due administration of justice.”

As the Court stated:

“... what we are trying to do here ... is to get this question before the appellate court.” [Tr. p. 23, lines 21-23.]

Petitioners' oral motion to dismiss the amended claim was in legal effect an “Exception” and therefore proper under Supreme Court Admiralty Rule 27. See *McAlister Lighterage Lines, Inc. v. Pennsylvania R. Co.*, 99 F. Supp. 648 (E.D.N.Y. 1951), holding that an “exception” is the proper procedure in admiralty to affect the dismissal of a pleading barred by the statute of limitations.

B. Appellees' Review of the Facts.

This appeal involves a reasonably simple basic issue. That issue is whether or not the appellees' counsel had a duty to voluntarily advise the appellant's counsel of ap-

pellant's rights or remedies. The appellant has not and *cannot* accurately assert that the appellees' counsel purported to give any advice to the appellant or that the appellant solicited his advice.

The decedent died on July 12, 1962. On July 11, 1963, appellant filed suit in the State Court. The delay in filing is unexplained. Delaying again, the appellant waited an additional six months and nine days to serve the complaint and summons. After service, appellees engaged attorneys to defend their interests. The answer of the appellees denied liability and set up, among several affirmative defenses, the prospective filing of a petition for limitation of liability in the United States District Court. The answer specifically cited the Limitation of Liability Act which contains a six-months Statute of Limitations for the filing of such a petition. 46 U.S.C. §185. Had the appellees' attorney read the act specifically cited, he would have discovered that the petition might be filed as late as July 20, 1964. The petition was in fact filed on July 16, 1965, and promptly served upon the appellant.

The complaint, served six months nine days after its filing, was the first written notice of claim defendants received from plaintiff. It is apparent plaintiff's delay in filing the complaint and plaintiff's delay in service of the complaint combined with the six months allowed by 46 U.S.C. §185 for filing a limitation proceeding to allow filing the limitation proceeding *after* the death action under DHSA was time barred. Appellees note further that not until May 25, 1965, nearly a year after the death action was time barred under DHSA, was appellant appointed administratrix, a prerequisite to suit under DHSA. 46 U.S.C. §761.

The limitation proceeding was an appropriate defense not only to a timely filing under DHSA but also against the possibility plaintiff *would prevail* before a jury on her state court cause of action. (Under normal procedure, the state court action would have proceeded after petitioners obtained from plaintiff a stipulation that plaintiff would abide by the limitation proceeding.)

Appellees' answer in the State Court suit was served February 5, 1964, at which point plaintiff had five months and seven days remaining to file an action under DHSA.

Appellee's Pre-Trial Conference Statement filed on May 8, 1964, again stated their intention to file a petition for limitation of liability. Plaintiff then still had two months and four days to file under DHSA. Instead, the time bar was allowed to run.

The lower court held that granting everything alleged in the amended claim Berry was time barred and that petitioners were not estopped to raise nor had petitioners waived the Statute of Limitations.

Reading the transcript of the oral argument, it is apparent the District Court had a precise view of the matter. Appellant had failed to invoke the jurisdiction of the State Court and was too late in the Federal Court.

The Court (addressing appellant's counsel):

"There is nothing in your motion to amend that indicates that the statute of limitations would not be tolled or that it would not be barred. . . ." [Tr. p. 7, lines 14-16.]

"I can't go along with you on the proposition that they are estopped where the state court had no jurisdiction, and everything over there was a nullity." [Tr. p. 13, lines 13-15.]

"There was jurisdiction in all the other cases you are citing for estoppel. There was jurisdiction in all of those.

Mr. Margolis: That is correct, your Honor. . . .

So the question before this court is whether the principles which are cited in the estoppel cases are applicable in a case in which the court does not have jurisdiction.

The Court: I don't think it is." [Tr. p. 14, lines 8-21.]

The Court: Mr. Margolis, I have read all of that. I will tell you again I have read all your memoranda and I have read your cases. I know exactly what you state about the fact in the state court there was a pre-trial in which there was an obligation to disclose and so forth. I have that in mind." [Tr. p. 17, lines 5-10.]

The Court then dismissed the amended claim.

In hiring an attorney to defend their interest, the appellees had no obligation to require that their attorney should take it upon himself to assist both sides of the controversy. The appellees' attorney was not hired to act as arbitrator, judge, or teacher. His job and his responsibility was to develop those facts favorable to the defense and to present all available legal defenses to the best of his ability. Nothing more was done.

Appellant chooses to ignore the fact that her present difficulty stems from the failure of her attorneys to prepare her case. The appellant refers to the fact that at

the pre-trial hearing in the Superior Court her attorney was not advised that the Court had no jurisdiction. A very slight amount of diligence on the appellant's behalf would have eliminated the appellant's difficulties. The case reached the pre-trial state upon the initiative of the appellant. An attorney represents that his case is ready for trial when he asks for a pre-trial. The appellees had a right to assume, as they did in this instance, that the appellant's attorney has reasons to believe his State Court case could be won. The appellant's attorney was an experienced lawyer, L. W. Johnston. According to Martindale Hubbell Law Directory, Vol. I, page 166, Mr. Johnston was born 1918 and admitted to the bar in 1945. He obtained an AB Degree from the University of California and an LL.B. Degree from the Hastings College of the University of California.

Appellant's appeal is predicated in part upon the claim that appellees' attorneys were "knowledgeable." Appellant chooses to ignore the fact that his attorney appears to have had little or no interest in the case. The appellant states that the appellees "well knew" that the appellant was in the wrong court, and that the court had no jurisdiction. This is simply not true. The most that can be said is that the appellees hoped to prove or disprove certain facts but know from experience that litigation is fraught with surprises. Had the appellees well known as appellant claims that there was no possibility of appellant's securing a judgment in the State Court, there would have been no occasion for filing a petition

in the District Court or posting a bond in excess of \$50,000.00.

The appellant's former attorney has come forth with no information or assertion that the appellees affirmatively misled him or that he relied in any degree upon the appellees' attorney for guidance.

In retrospect it is apparent appellant did not have a clear understanding of his rights or remedies. The appellant would ask that the Statute of Limitations applicable to this case be enlarged because her attorney remained ignorant for approximately two and one-half years. Pursuing the appellant's own theory, she would have no case at all, had the appellees not retained "knowledgeable" counsel but defended their own interest. Appellant would have no case at all according to her theory if the appellees had engaged an attorney with no more knowledge nor any greater industry than the appellant's attorney. Not by any logic can appellant's rights be enlarged because appellees engaged a "knowledgeable" marine firm.

APPELLEES' ARGUMENT.

I.

On the facts of this case, appellees are not barred by estoppel or waiver from invoking the statute of limitations.

II.

Under *Burnett v. N. Y. Central Ry. Co.*, appellant's California State Court action did not toll the statute of limitations of the Death on the High Seas Act.

III.

Appellant's failure to file a libel in admiralty within the two year period extinguished her cause of action.

IV.

The policy of the law is (1) to apply the limitation of liability act liberally in favor of shipowners; and (2) not to apply an estoppel to assert a time bar when a party is represented by counsel.

I.

On the Facts of This Case, Appellees Are Not Barred by Estoppel or Waiver From Invoking the Statute of Limitations.

The appellees had no obligation to file a petition for limitation of liability. They chose to do so to guard against the possibility of an adverse judgment in the State Court. This was the sole purpose of the petition. The appellees chose not to file the petition with the posting of a bond in excess of \$50,000.00 and the attending expense until the last week of the six-months' period. Had the petition not been filed, the State Court proceeding would have ultimately gone to trial. In the ordinary course of events it would have developed that death occurred on the high seas and that the State

Court was without jurisdiction. With or without a finding of negligence, the case would have been dismissed. Appellant would have this court hold that it is the duty of the defense attorney to voluntarily advise the plaintiff that the plaintiff cannot win the case it is asserting, that it can only succeed on a different tack. The appellees believe that it is the duty of defense counsel to take all appropriate action to defend a client, that its first and foremost duty is to protect its client's interests. This carries a corresponding burden of refraining from taking affirmative action which will advance the plaintiff's case. The appellees contend that not only did their attorney have no obligation to voluntarily advise the plaintiff but that on the contrary their attorney's duty was to refrain from doing so.

This is a characteristic of the American judicial system. In the course of ordinary litigation attorneys will frequently foresee strategy that could be adopted or tactics that could be pursued by the opposition that would be more effective than the approach being taken. Occasionally, an attorney will be aware that if a certain question were put to a particular witness or to a client that the answer would be favorable to the opponent's case. An attorney will frequently foresee that a certain line of questioning can only serve to weaken the opposition's case. It is not the duty, much less the practice, for an attorney to voluntarily approach the other side and give advice as to how the opponent's case can be more effectively presented. For example, in this case the appellant's attorney is not pointing out that it is apparent the appellant's prior attorney neglected to take appropriate action and should be sued in a malpractice action to recover whatever losses the appellant

may have suffered. Appellant refers to the doctrine of estoppel as a substitute for the indifference or lack of industry on the part of appellant's prior attorney.

The appellant did not in this instance solicit any assistance from the appellees. Had the appellant done so and been misinformed by the appellees, we would be dealing with an entirely different case. Had the appellant done so, appellees concede that it would have been appellees' duty to either refrain from responding or if responding, to do so honestly and with integrity. Appellant was content to pursue its rights in its own way and in accordance with its own vision. The appellees merely met its attack and invited no others.

Estoppel requires a *misrepresentation* which induces reliance. Appellees made no misrepresentation to appellant. There was thus no "reliance" on the non-existent misrepresentation.

This is different from the *Glus v. Brooklyn Eastern District Terminal*, 359 U.S. 231, 3 L. Ed. 2d 770 (1959) case relied on by appellant where the defendant *had misstated* to the plaintiff that the latter had seven years within which to file suit. *Glus, supra*, Footnote 2, at 771.

What is involved here is not misrepresentation but rather whether defendants had a duty to advise the plaintiff as to the law, the breach of which induced reliance by appellant. There is no such duty. Appellant's counsel, charged with knowledge of the law, *Kunstman v. Mirizzi*, 234 Cal. App. 2d 753 (1965). could not have "relied" on appellees to advise him. There is, thus, no basis for estoppel.

Litigation is as Judge George B. Harris of the Northern District of California states "intellectual warfare".

Wolverton Oil Co. v. Shell Oil Co. (N.D. Cal. Civil No. 43355), Law & Motion Calendar, Reporter's Transcript, page 56.

If the lower court here is reversed, appellees are placed in the anomalous position of having foisted upon them a higher duty to advise opposing counsel than opposing counsel has to correctly and promptly analyze, research and investigate his own lawsuit. There is no duty to advise opposing counsel.

In an early federal case, *LaPorte v. U. S. Radium Corp.*, 13 F. Supp. 263 (D.N.Y. 1935), which declined to apply an estoppel, the District Court stated:

" . . . it cannot be said to be ordinarily any part of duty to apprise an adversary of his rights. . . ."
(at 274.)

Appellees rely on California Court Rule 210(c). Rule 210(c) is a rule prescribing duties of attorney's *to the court* and cannot be deemed to demand unsolicited disclosures or assistance to opposing counsel. Rule 210(c) is at most a formalized guideline for handling pre-trial conferences and was complied with in the state court case.

A recent California Case sheds light on the question. In *Kunstman v. Mirizzi*, 234 Cal. App. 2d 753 (1965) plaintiff filed a complaint for personal injury more than a year after the accident. Plaintiff had been represented by an out-of-state attorney during pre-filing negotiations with defendant's underwriter. The underwriter in conducting negotiations had stated "this is a case that we will settle." Plaintiff contended the underwriter "lulled her attorney into a sense of security" causing him to "defer the filing of a complaint".

Plaintiff was dismissed and the dismissal was affirmed. The court stated at 757:

“Statutes of limitation are favored by the law . . . and the law does not favor estoppels, *particularly where the party attempting to raise the estoppel is represented by an attorney at law.*” (Emphasis added.)

The District Court of Appeal quoted approvingly the language of California Supreme Court in *California Cigarette Concessions, Inc. v. City of Los Angeles*, 53 Cal. 2d 865 (1960) at 871:

“. . . ‘[W]here one acts with full knowledge of plain provisions of law, and their probable effect upon facts within his knowledge, *especially where represented by counsel*, he can neither claim (1) ignorance of the true facts or (2) reliance to his detriment upon conduct of the person claimed to be estopped, two of the essential elements of equitable estoppel.’ ”

Answering the contention that plaintiff’s out-of-state attorney did not know the California Statute of Limitations, the Court stated plaintiff:

“was being protected by an attorney, *who is charged with knowledge of the law.* . . .” 234 Cal. App. 2d 753 at 758. (Emphasis added.)

See also *California Cigarette Concessions v. City of Los Angeles*, 53 Cal. 2d 865 (1960) at 870 (plaintiff time barred, estoppel denied):

“It must be presumed that plaintiff’s attorney knew of the charter provision. . . .” (A time bar provision of the Los Angeles City Charter.)

In short, one charged with knowledge of the law, such as a plaintiff acting through an attorney, cannot claim a reliance on opposing counsel's failure to advise her attorney and thus cannot make out a claim of estoppel.

What was said in *Aetna Life Ins. Co. v. Moyer*, 113 F. 2d 974, 981-982 (3 Cir. 1940) is particularly applicable here:

"The appellee urges that the insurer's conduct in the instant case, through its agent Bichner, deprives appellant of the right to plead the statute of limitations. . . . It appears of record in this case that the beneficiary sought and obtained independent counsel and advise with respect to her rights under the policies several years before the statute of limitations had run against any of her claims. Her action, therefore, in not pressing timely her claim for the monthly benefit payments must be deemed to have been taken advisedly; and, thereby, she is bound."

A more recent case in point is *City of Los Angeles v. Industrial Acc. Com.*, 63 A.C. 258 (1965). An employee of the city was injured. He filed for workmen's compensation after the statute of limitations of Labor Code §5405 had run. Plaintiff had deferred a timely filing relying on erroneous advice from agents of the city that such a filing would be useless.

The court in refusing to apply an estoppel adopted the rule that

"... an estoppel does not bar the city from relying upon the statute of limitations *if the nature of the conduct* or advice of the city is reasonable when given." (At p. 265, emphasis added.)

Appellees submit their conduct, viewed in the light of litigation realities, *was* reasonable. Counsel simply do not advise opposing counsel of adverse provisions of law. They do not call up opposing counsel and advise him of new and additional theories under which he might sue. Plaintiff's attorneys in personal injury cases do not volunteer information on prior or subsequent injuries. Prosecutors do not volunteer impeaching material for defense attorneys to use against the prosecutor's witnesses. In divorce cases the husband's attorney does not advise the wife's counsel of the husband's infidelities to facilitate the wife's bringing suit. That would be *unreasonable* and make a wreckage of the carefully protected attorney-client relationship. A lawyer who aided opposing counsel would soon lose his own clients. This is a hard case but the fault lies with appellant's predecessor counsel whose professional zeal and preparatory vigor fell short of the mark. Berry's widow hired her present counsel's predecessor to protect her rights. She did not hire appellees' counsel. And it is unreasonable to burden appellees' counsel with the responsibility to protect, not only their own client, but the opposition as well.

Appellant relies on *Wcade v. Trailways of New England, Inc.*, 325 F. 2d 1000 (D.C. Cir. 1963); *Zielinski v. Philadelphia Piers, Inc.*, 139 F. Supp. 408 (E.D. Pa. 1956) and *Denver v. Forbes*, 26 F.R.D. 614 (E.D. Pa. 1960). They do not help appellant.

Wcade reversed a motion for summary judgment on the ground that "substantial issues of fact and law" remained in issue. The case decided no rule of law applicable hereto. In any event in that case the court below to which the case was remanded "to make findings

of fact and conclusions of law . . . and to enter judgment as it may then be advised" had jurisdiction in the premises and the actions inspiring the plea for estoppel had occurred in that court. Note the distinguishing factors here where the activity appellant complains of occurred in the state court which never obtained jurisdiction. In the *Weade* case we further note plaintiff had sued party A whereas the negligent party was A's lease and there was a common underwriter. The estoppel was to deny *agency*. The same is true of the *Zielinski* case upon which appellant further relies.

Denver v. Forbes, 26 F.R.D. 614 (E.D. Pa. 1960) cited by appellant is similar. Plaintiff sued the mother of a negligent driver. The names were the same except for a middle initial. After the statute ran plaintiff was allowed to amend to name the proper party fully. This case is hardly relevant.

The *Zielinski*, *Denver* and *Weade* cases involve suits against the wrong party where that party had a close relation with the correct party and both the wrong party and the correct party had the same insurance underwriter. The named defendant in each case, by giving only general denials in its pleadings, had failed to fully alert the plaintiff of *certain facts*, i.e. that he had sued the wrong party, facts which were available only to the party withholding the information. In all three cases the court had jurisdiction over both the subject matter and the persons involved. It could, therefore, estop those persons in the face of incomplete disclosure of facts in connection with its own proceedings. *Here the state court is not the court where estoppel is sought. Moreover, the state court had no jurisdiction in the premises and would, therefore, be powerless to act or to apply*

any estoppel. Furthermore, unlike *Zielinski*, *Denver* and *Weade* there has not been nor does appellant claim an incomplete factual disclosure here. There has merely been no volunteering of legal points to Berry's attorney. As we have seen, there is no duty to advise opposing counsel, who is charged with knowledge of the law. Failure to advise opposing counsel, therefore, cannot lead to an estoppel or waiver.

II.

Under *Burnett v. New York Central Ry. Co.* Appellant's California State Action Did Not Toll the Statute of Limitations.

In *Burnett v. New York Central R. Co.*, 380 U.S. 424, 13 L. Ed. 2d 941 (1965) relied upon by appellant plaintiff began a state court action in Ohio for personal injury under Federal Employers' Liability Act which gave *concurrent* jurisdiction to both the state and federal district courts. The Supreme Court notes:

"The Ohio Court had jurisdiction of the action and respondent was properly served. . . ." (At pp. 425, 943, emphasis added.)

However, the Ohio action was dismissed because venue was improper under the Ohio law. The injury had been March 17, 1960. The state action was commenced March 15, 1963. The state court action was dismissed June 4, 1963, after the limitation period of 45 U.S.C. Section 56 had run. Eight days later plaintiff filed a complaint in the federal court which was dismissed as time barred. The Court of Appeals affirmed. The Supreme Court reversed, holding that an action under a statute, such as FELA giving *concurrent jurisdiction to the state and federal court* is properly "commenced" so as to toll the statute of limitations where the plaintiff files in the

state court and serves defendant notwithstanding improper venue results in the subsequent dismissal in the state forum.

Appellant puts forth two arguments for the application of the *Burnett* rule in this case. He argues (1) that here as in *Burnett* the defect of the state court action could have been waived thus allowing the case to "lead to final judgment"; and (2) that here the state court case could have been "removed" to the law side of the district court and then "transferred" to the admiralty thus allowing the case to "lead to final judgment".

Appellees Answer Each Argument Separately.

1. Argument One.

The foundation of the *Burnett* case is *Herb v. Pitcairn*, 325 U.S. 77, 79, 89 L. Ed. 1483, 1488 (1945) which held that:

"... when process has been adequate to bring in the parties and to start the case on a course of judicial handling which may *lead to final judgment* without the issuance of a new process, it is enough to commence the action within the Federal statute."
(Emphasis added.)

Here the state court action could not have "lead to final judgment", since the DHSA unlike the FELA *did not* grant concurrent jurisdiction to the state and federal court.

In *Burnett* the state action defect was venue and waivable. In this case the state action defect was *jurisdiction* and non-waivable since Congress vested the Admiralty Court with exclusive jurisdiction in Death on the High Seas cases. *Wilson v. Transocean Airlines*,

121 F. Supp. 85 (N.D. Cal. 1954); *Higa v. Transocean Airlines*, 230 F. 2d 780 (9th Cir. 1955). The State Court's lack of jurisdiction made it impossible for that case to "proceed to final judgment" within the rule of *Herb v. Pitcairn*, 325 U.S. 77, 89 L. Ed. 1483 (1945) and *Burnett v. New York Central Ry. Co.*, 380 U.S. 424, 13 L. Ed. 2d 941 (1965). Process in the state court was not

"... adequate to bring in the parties and to start the case on a course of judicial handling which may lead to final judgment without issuance of new initial process. . . ." (at 426, 944.)

Not enough was done to "commence the action within the federal statute". Thus, the statute of limitations was not tolled.

2. Argument Two.

Appellant further argues the jurisdiction defect of the California action could have been cured by appellees' "removing" the state court action to the Federal District Court and thereafter "transferring" to the admiralty court where it could "lead to final judgment". For this proposition he cites *Delvin v. Flying Tiger Lines, Inc.*, 220 F. Supp. 924 (S.D.N.Y. 1963).

In *Delvin v. Flying Tiger Lines, Inc.*, 220 F. Supp. 924 (S.D.N.Y. 1963) plaintiff brought suit in May of 1963 in a New York state court for a death occurring on the high seas September 23, 1962. The defendant erroneously removed the case to the law side of the Federal District Court.

The District Court decided that since New York Court had not acquired jurisdiction, since jurisdiction for this type of action was vested exclusively in ad-

miralty, the Federal District Court on the Civil side could not obtain jurisdiction by removal. However, *since the statute of limitations had not yet run*, the Federal District Judge transferred the case to admiralty where jurisdiction was proper. The case did not present any statute of limitations or estoppel problem. *Delvin*, of course, is fundamentally different from this case because, unlike *Delvin*, this case was *not* removed.

Actions are not removable *to admiralty* but only to the law side of the District Court which *does not* have jurisdiction for a DHSA case. Had this case been removed from the State Court neither the court the case was *removed from* nor the court the case *was removed to* would have had jurisdiction. The defect would have remained uncorrected. However, had the case been erroneously “removed”, it could not have been subsequently “transferred” to admiralty as the appellant argues, citing *Delvin v. Flying Tiger Lines, Inc.*, 220 F. Supp. 924 (S.D.N.Y. 1963). The cases applicable in this circuit on that point are *Higa v. Transocean Airlines*, 230 F. 2d 780 (9th Cir. 1955) and *Wilson v. Transocean Airlines*, 121 F. Supp. 85 (N.D. Cal. 1954). The rule adopted in *Higa*, contrary to *Delvin*, is that the case *cannot be* transferred from the Federal District Court to the Admiralty Court. See *Per Curiam Opinion on Petition for Rehearing*, 230 F. 2d 786. See also *Wilson v. Transocean Airlines*, 121 F. Supp. 85 (N.D. Cal. 1954):

“Since the Superior Court of California had no jurisdiction to entertain the suit at law for the death of plaintiff’s husband, this court could not acquire jurisdiction by removal. The action must therefore be dismissed. . . .” (at 98.)

Consequently, since under no circumstances could the state court action have “lead to final judgment without the issuance of new process”, the statute of limitations was not tolled. The *Burnett* case does not permit a contrary conclusion.

III.

Appellant's Failure to File a Libel in Admiralty Within the Two Year Period Extinguished Her Cause of Action.

For a cause of action not known at common law which is created by act of Congress, such as a cause of action under DHSA, the limitation period is a “condition of the right”. Expiration of the limitation period extinguishes the causes of action. See *Danzer & Co. v. Gulf & Ship Island R. Co.*, 268 U.S. 633, 69 L. Ed. 1126 (1925) [cause of action under the Transportation Act, 41 Stat. 465]:

“It is settled by the decisions of this court that the lapse of time not only barred the remedy, but also destroyed the liability of defendant to plaintiff.” (At 636, 1128.)

“. . . provisions fixing the time within which suits must be brought . . . sometimes constitute a part of the definition of a cause of action created by the same or another provision, and operate as a limitation upon liability. Such, for example, are statutory causes of action for death by wrongful act. . . .” (At 637, 1129.)

It is settled that there was no cause of action at common law for a death on the high seas and the cause of action for such a death is purely statutory. *The Harrisburg v. Rickards*, 119 U.S. 199, 30 L. Ed. 358

(1886); *Wilson v. Transocean Airlines*, 121 F. Supp. 85 (N.D. Cal. 1954); *Higa v. Transocean Airlines*, 230 F. 2d 780 (9th Cir. 1955). Hence, the rule enunciated in *Danzer*, applies to plaintiff herein. This point, that timely commencement of suit under DHSA is a condition of the right, has been litigated in other circuits. See *In re Agwi Nav. Co.*, 89 F. 2d 11 (2nd Cir. 1937) at 12:

“The statute which creates the right to recover for death on the high seas by wrongful act provides that ‘suit shall be begun within two years from the date of such wrongful act.’ 46 U.S.C.A §763. In such statutes a specification of a time for bringing suit is not merely a limitation of the remedy, but is a condition upon the right itself.”

Batkiewicz v. Seas Shipping Co., Inc., 54 F. Supp. 789 (S.D.N.Y. 1944), at 790:

“The ‘Death on the High Seas Act’ gives a right where none existed before. The limitation of time within which to begin suit is a limitation not merely on the remedy alone, but is a condition on the very right to bring the action. *In re Agwi Nav. Co.*, 2 Cir., 89 F. 2d 11, 12. Therefore, if the action is not begun within the time allowed by Sec. 763, the court has no jurisdiction to hear the action.”

Petition of United States, 92 F. Supp. 495 (S.D.N.Y. 1950):

“Since Gussie Dictor’s claim was not filed until February 28, 1944, which is more than two years after the date [January 14, 1942] of the alleged wrongful act, the cause of action was extinguished.” (At 497.)

“ . . . the statutory limitation period is not merely a limitation of the remedy, but is a condition on the right itself. The pendency of a limitation proceeding does not stop the running of the statutory time, expiration of which, without the bringing of suit or the filing of a claim in the limitation proceeding, would extinguish the claim.” (at 498.)

Moran v. United States, 102 F. Supp. 275 (D. Conn. 1951) at 279:

“It is indeed, authoritatively established in this circuit that the limitation which Congress imposed when it created the right of action afforded by the Death on the High Seas Act was a condition of the right itself,—not merely a limitation upon the remedy.”

In this circuit the principle here sought to be applied with respect to the limitation period *has been* applied with respect to filing “in admiralty.” In an opinion approved by the Ninth Circuit (see *Higa v. Transocean Airlines*, 230 F. 2d 780 (9th Cir. 1955) footnote 3 at 784), Judge Goodman in *Wilson v. Transocean Airlines*, 121 F. Supp. 85 (N.D. Cal. 1954) states:

“ . . . in a single sentence the statute creates a right of action, which did not previously exist, and stipulates that the right is to be enforced in the federal courts of admiralty. The provision that enforcement is to be in admiralty is a limitation on the right itself.” (At 94.)

Appellees here similarly contend that filing within two years is a “limitation of the right itself”.

The Ninth Circuit in *Higa v. Transocean Airlines*, 230 F. 2d 780 (9th Cir. 1955) in affirming the lower

court's dismissal of plaintiff's DHSA cause of action which had been misfiled on the law side of the district court, classified the DHSA as being within the principle that the conditions of a cause of action are found in the statute creating it.

"We affirm the judgment, since the case is clearly one of the class described in the following language, 233 U.S. at page 490, 32 S.Ct. at page 206, of the Galveston, H. & S. A. R. Co. case, *supra*. 'Where the statute creating the right provides an exclusive remedy, to be enforced in a particular way, or before a special tribunal, the aggrieved party will be left to the remedy given by the statute which created the right.' " (At 786.)

Appellant relies on *Glus v. Brooklyn Eastern District Terminal*, 359 U.S. 231, 3 L. Ed. 2d 770 (1959) where the question arose whether estoppel could be applied to prevent the bar of the limitation period in a cause of action created by the FELA. An estoppel was allowed because the statute involved did not show an intent by Congress that the cause of action there provided should lapse if not filed in time.

The language of the statute involved here differs sharply from the FELA statute in the *Glus* case and *does show* an intent by Congress that the cause of action "lapse" at the expiration of the time period. 46 U.S.C. §763 provides:

"*Suit shall be begun within two years from the date of such wrongful act, neglect, or default, unless during that period there has not been reasonable opportunity for securing jurisdiction of the vessel, person, or corporation sought to be charged; but after the expiration of such period of two*

years the right of action hereby given shall not be deemed to have lapsed until ninety days after a reasonable opportunity to secure jurisdiction has offered." (Emphasis added.)

The only exception to a lapse of the cause of action is:

" . . . unless during that period there has not been reasonable opportunity for securing jurisdiction of the vessel, person or corporation sought to be charged. . . ."

In this case there has been such "reasonable opportunity" to obtain jurisdiction.

The only reasonable construction of the statute is that by enumerating when the cause of action *does not* lapse, the cause of action *does* lapse in all other situations and the cases quoted above support this view.

Appellant's argument that *Glus v. Brooklyn Eastern District Terminal*, 359 U.S. 231, 3 L. Ed. 2d 770 (1959), where an estoppel was applied, demands that an estoppel be applied here is erroneous. In *Glus* (1) a statute was involved which did not preclude expiration of the cause of action after the time had run; and (2) the facts were different. In the *Glus* case the defendant had " 'misstated to plaintiff that he had seven years within which to bring an action against said defendant as a result of his industrial disease and in reliance thereon plaintiff withheld suit until the present time' ". *Glus*, *supra*, footnote 2, at 771. See District Court Opinion Below, 154 F. Supp. 863 at 864.

Here there has been no misstatement. The *Glus* case is therefore not pertinent to this case.

Appellant's cause of action lapsed and the right of action became forever extinguished on July 13, 1964. Estoppel cannot thereafter be applied to revive it.

IV.

The Policy of the Law Is (1) to Apply the Limitation of Liability Act Liberally in Favor of Shipowners; and (2) Not to Apply an Estoppel to Assert a Time Bar When a Party Is Represented by Counsel.

On page 27 of appellant's brief, appellant enlists "policy" as an ally in his cause. He argues there is a policy *against* strict application of limitation statutes. Appellees marshal in opposition the policy *against* applying estoppels to bar a limitation where the party seeking it was represented by counsel, *Kunstman v. Mirizzi*, 234 Cal. App. 2d 753 (1965), and the policy of applying the limitation of liability statute liberally in favor of shipowners.

California Yacht Club v. Johnson, 65 F. 2d 245 (9th Cir. 1933), at 248:

"It is well settled that the law of limited liability is to be construed *liberally* in favor of the shipowner." (Emphasis added.)

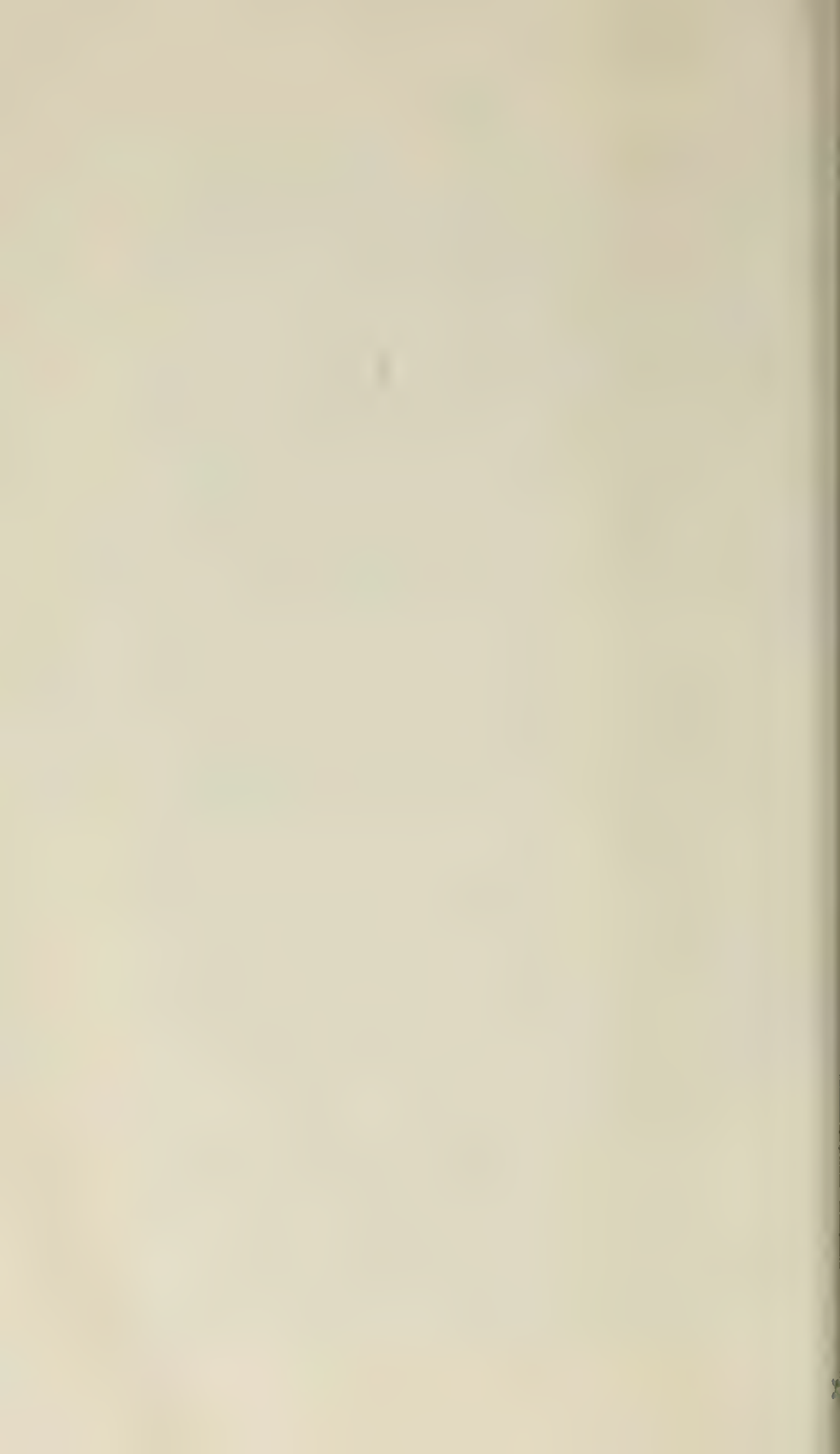
Conclusion.

For the foregoing reasons appellees submit that the action filed in Superior Court was a nullity and that the claim filed in the United States District Court is time barred. Wherefore, the decision of the District Court should be affirmed.

Respectfully submitted,

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JEROME O. HUGHEY,

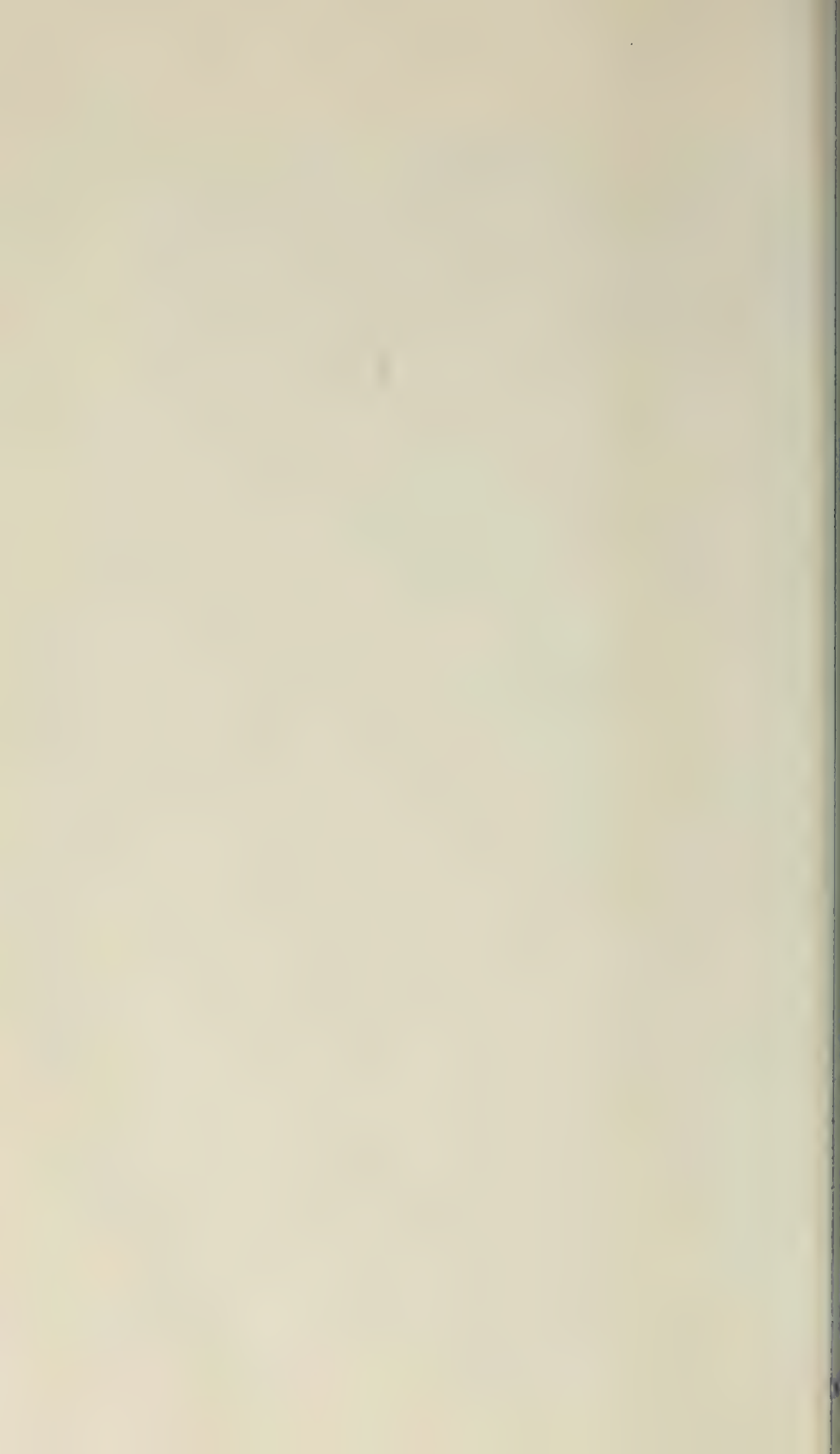
Attorneys for Appellees.



Certificate.

I certify that in connection with the preparation of this brief I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

JEROME O. HUGHEY



FEB 14 1957

NO. 20474

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

JUNE E. BERRY, as the personal
representative of the Estate of
JOHN H. BERRY, deceased,

Appellant,

vs.

PACIFIC SPORTFISHING, INC., A. O.
LEAVITT and F. E. McEWEN, sole
owners of the boat "FISHERMAN",

Appellees.

APPELLANT'S REPLY BRIEF

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

FILED
1957
WM. D. LUCK, CLERK

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IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

JUNE E. BERRY, as the personal
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Appellant,

vs.

PACIFIC SPORTFISHING, INC., A. O.
LEAVITT and F. E. McEWEN, sole
owners of the boat "FISHERMAN",

Appellees.

APPELLANT'S REPLY BRIEF

I

APPELLEES HAVE NOT REBUTTED APPELLANT'S
CONTENTION THAT ESTOPPEL AROSE AT
BAR ON THE PLEADED FACTS OF THE
AMENDED CLAIM.

Appellees urge there can be no estoppel at bar because
their counsel as attorneys owed no duty to advise appellant, who
was the adversary party, as to matters affecting her rights or
interests, and because in any event they made no representations
to her, and therefore no misrepresentations.

But appellees misconceive what they are charged with and
the nature of the duty upon them not to wilfully deceive.

With respect to their pleading in the State Court appellees are charged with intentionally---for the very purpose of achieving a statute of limitations immunity---so casting their answer as to raise only the issues of negligence, contributory negligence and assumption of risk and to conceal and withhold any mention or claim of want of jurisdiction, "intend[ing]" specifically to mislead appellant and her attorney "to believe there was no jurisdictional" defect and to "lull [them] into a false sense of security" until cure should be impossible [AOB 15 1/]. So doing, as the Amended Claim alleges---with the very purpose of making a trap of the statute of limitations---appellees violated the square holdings of the Weade, Zielinski and Denver cases [AOB 15, 18 and 20]. All of those decisions held that wilfully deceitful defendant pleadings concealing plaintiff errors as to the proper party to be sued erected an estoppel to bar the defendants so acting from taking profit from their own wrongful acts.

Appellees suggest these cases involved estoppel to deny agency and not estoppel as to the statute of limitations. The contrary is the case. Where the party seeking to raise the statute of limitations in those cases (the party mistakenly not originally sued) was a party to the wrongful conduct directly or through common insurance defense representation, estoppel to plead the statute of limitations was upheld.

Thus in the Weade case (Weade v. Trailways of New England,

1/ Signifying Appellant's Opening Brief, page 15.

Inc. [C. A. D. C. , 1963], 325 F. 2d 1000), where it was alleged that the party mistakenly not originally sued (the true corporate operator of the bus causing the accident) "conspired with" the defendant sued "to deceive by withholding from the District Court and from the plaintiff-appellant until well after the statute of limitations had run" the fact that the wrong party had been sued, it was ruled that a contention that the party not originally sued should be "estopped to plead the statute of limitations and should be added as a party defendant" "raise[d] substantial issues of fact and law" requiring a denial of a defense motion for summary judgment (325 F. 2d at p. 1000). The case was remanded with directions that the District Court "make findings of fact and conclusions of law as to the points mentioned. " (325 F. 2d at p. 1001).

Again, in the Denver case (Denver v. Forbes [U. S. D. C. E. D. Pa. , 1960], 26 F. R. D. 614), where common insurance defense representation was present, the party mistakenly not originally sued (the true driver of the car, who was the daughter of the party mistakenly named) was ordered substituted as party defendant without right to invoke the defense of the statute of limitations because of intentionally deceiving pleadings (26 F. R. D. at p. 616).

Thus, under the Weade, Zielinski and Denver cases, appellees' wilfully misleading pleadings estop their invocation now of the statute of limitations.

Moreover, even more compelling to the same end is appellees' purposeful breach of affirmative, clear legal duty in the

State Court pretrial proceedings to speak the truth, with clarity and candor, in defining and formulating "the factual and legal contentions to be made as to the issues remaining in dispute" under Rule 210(c) of the California Rules of Court. In those pretrial proceedings, while there yet remained ample time under the statute of limitations for appellant to cure the defect of exclusive federal jurisdiction by refile in federal court, appellees, again for the very purpose of making a trap of the statute of limitations, intentionally formulated their "Separate Statement of . . . Issues Remaining In Dispute" [R. 40-41] to raise only negligence, contributory negligence, assumption of risk, proximate cause and damages, and to deliberately conceal and withhold any mention or claim of want of jurisdiction.

This was a fraud upon both court and opposing counsel. It was a misrepresentation, not a mere nonrepresentation. To say that the issues are A, B and C, when truly the issues (unknown to the court and opposing counsel but well known to the actor) include also D and D is a crucial and decisive issue (as is nonjurisdiction), is not merely to fail to speak but is affirmative misspeaking. And this appellees did in an area covered explicitly by the duty of Rule 210(c) to speak fully and fairly. Had appellees affirmatively said, "The issues are A, B, and C and there are no other issues.", the omission of issue D would clearly have been a misrepresentation. What they did say, in the premises of the duty under Rule 210(c) to define "the issues remaining in dispute", is in substance the very same misrepresentation and supports fully appellant's

claim grounded thereon of estoppel to later plead the statute of limitations.

II

UNDER BURNETT v. NEW YORK CENTRAL
RAILWAY CO. APPELLANT'S CALIFORNIA
STATE COURT ACTION TOLLED THE STATUTE
OF LIMITATIONS AT BAR.

Appellant in her Opening Brief urged that under Burnett v. New York Central Railway Co. (1965), 380 U.S. 424, the State Court filing at bar tolled the statute of limitations because such filing put appellees on complete notice of appellant's claim of rights, thereby satisfying in full the policy objectives of a limitations period. The Burnett case was urged (1) as persuasive authority because of its policy expressions (AOB 32-35), and (2) as specific and direct authority because by a removal to Federal Court appellees could have permitted a final determination without need for issuance of new process as fully as the defendants in Burnett could have elected to waive their venue objections which without waiver required dismissal (AOB 32 and 35-38). On the second score appellees in their Reply Brief say transfer to the admiralty side could not be had upon removal even within the statute of limitations period, urging that Higa v. Transocean Airlines (C.A. 9, 1956), 230 F.2d 780, so holds and controls in this Circuit over appellant's cited cases, Devlin v. Flying Tiger Lines (U.S.D.C. S.D.N.Y., 1963), 220 F.Supp. 924 and Cunningham v. Bethlehem

Steel Co. (U. S. D. C. S. D. N. Y. , 1964), 231 F. Supp. 934.

However, Higa expressly notes (230 F. 2d at p. 786, n. 1) that, "This court may so remand [to the admiralty docket from the law side] in an appropriate case.", and Twin Harbor Stevedoring Co. v. Marshall (C. A. 9, 1939), 103 F. 2d 513 and Kobilkin v. Pillsbury (C. A. 9, 1939), 103 F. 2d 667 so hold. Transfer from the law side to the admiralty side of the Federal Court can be freely made whenever appropriate, and the significance of the Devlin and Cunningham cases is that on removal from a state court in DOHSA ^{2/} cases, if the removal is within the statute of limitations period the court will not require the "meaningless acts" of a dismissal and a refiling in the Federal Court but will retain jurisdiction. The transfer to Admiralty is merely a procedural step in accomplishing the objective of having the District Court retain jurisdiction. As the Court in Devlin states,

"Since the state courts had no jurisdiction of the action, this court cannot acquire any by virtue of removal, even though the action could have been instituted here originally. Inasmuch as the action would be dismissed without prejudice to the filing of a libel in admiralty, and since the statute of limitations has not run to prevent the filing of such a new action, this court deems it pointless to go through meaningless acts. Accordingly, this case is transferred to the admiralty side of this court." (220 F. Supp. at p. 928.)

^{2/} Signifying the Death on the High Seas Act.

The Cunningham case is in accord. The Higa case, cited by appellees, does not rule otherwise. There the Court denied transfer without a refiling in a DOHSA case first begun in the Federal Court on the law side, because in the case there involved the appellant raised no request for retaining jurisdiction and transferring to admiralty without a refiling until after his appeal and in a petition for rehearing. The Court ruled the appellant there could not thus "enlarge the scope of [his] appeal in a petition for rehearing", while noting expressly that "in an appropriate case" it could have ordered remand to the admiralty side of the court below without requiring a refiling (230 F.2d at p. 786, including footnote 1).

III

THE LIMITATIONS PERIOD OF THE DOHSA AT BAR IS SUBJECT TO THE PRINCIPLES OF ESTOPPEL

At pages 20-22 of their Reply Brief Appellees cite and quote from five cases [Danzer & Co. v. Gulf Ry. Co. (1925), 268 U.S. 633; In Re Agwi Nav. Co. (C.A. 2, 1937), 89 F.2d 11; Batkiewicz v. Seas Shipping Co. (1944), 54 F.Supp. 789; Petition of United States (1950), 92 F.Supp. 495 and Moran v. United States (1951), 102 F.Supp. 275] in support of a claim that, "For a cause of action not known at common law which is created by act of Congress, such as a cause of action under DOHSA, the limitation period is a 'condition of the right.' Expiration of the limitation

period extinguishes the cause of action" and estoppel, therefore, can never apply.

But all of appellees' cited cases 3/ are old cases long pre-dating Glus v. Brooklyn Eastern District Terminal (1959), 359 U.S. 231 which set the face of the law in an entirely new direction, repudiating the rationale urged by appellees and expressed in their cited authorities.

The Glus case involved an FELA complaint where estoppel was pled to escape the statute of limitations. The defendant urged that the FELA statute created rights unknown at common law and contained its own statute of limitations which constituted thereby "a condition precedent to recovery". The defendant urged that such "'built in' statutes of limitations in the Federal Employers' Liability Act, the Jones Act, the Suits in Admiralty Act, and similar statutes, will not be extended by disability to sue because of infancy or insanity or by delay occasioned by the defendant's fraud." (Glus v. Brooklyn Eastern District Terminal, opinion below, 154 F.Supp. 863, 865-866.)

The Supreme Court, noting there were "two lines of cases in sharp conflict" on the question, rejected the no-estoppel position

3/ All of said cited cases are dicta as to the principle urged by appellees since none concerned estoppel as a basis for extending the limitations period. Danzer dealt with the constitutionality of a reviver statute; Agwi and Petition of United States held only that limitation of liability proceedings do not extend the limitations period; Batkiewicz held service is not necessary for a filing sufficient to toll the limitations period; and Moran found the DOHSA limitations period was extended as against the United States as a party by the Torts Claims Act.

urged by the defendant there and by appellees here. The Court ruled that despite the fact that "in FELA . . . the time limitation is an integral part of a new cause of action" estoppel could still be pled to escape a limitations bar. The Court said at pages 232-234:

"Respondent contended that while estoppel often prevents defendants from relying on statutes of limitations it can have no such effect in FELA cases for there the limitation is an integral part of a new cause of action and that cause is irretrievably lost at the end of the statutory period.

The District Court, after discussing two lines of cases 'in sharp conflict', [ruled estoppel inapplicable, and the Court of Appeals affirmed]. Since the question is important and recurring we granted certiorari.

"To decide the case we need look no further than the maxim that no man may take advantage of his own wrong. Deeply rooted in our jurisprudence this principle has been applied in many diverse classes of cases by both law and equity courts and has frequently been employed to bar inequitable reliance on statutes of limitations.

* * *

"We have been shown nothing in the language or history of the Federal Employers' Liability Act to indicate that this principle of law [i. e. , equitable estoppel], older than the country itself, was not to apply in suits under the statute. Nor has counsel made any convincing arguments which might lead us to make an exception to

the doctrine of estoppel in this case. "

In thus rejecting appellees' contention that estoppel cannot apply to "built in" statutes of limitations appearing within the terms of statutes creating new rights unknown at common law, the Supreme Court in Glus expressly noted and discounted the language relating thereto in appellees' chief cited case, Danzer & Co. v. Gulf Ry. Co., stating such language was "dicta [which] is neither binding nor persuasive." (359 U.S. at p. 235, n. 11.)

Subsequent decisions, including decisions of this Court, have noted and approved the broad and fundamental ruling of the Glus case as analyzed above.

Thus in United States v. Price-McNemar Construction Co. (C.A. 9, 1963), 320 F.2d 663, this Court at page 665 said:

"As appellees point out, however, we are not here dealing with a general statute of limitations, but with a statute of limitations which is a part of, and pertains only to, an act creating a cause of action unknown at common law, namely, the Miller Act. Where this is the case, appellees contend, the period of limitation is a matter of substance limiting the right as well as the remedy. Accordingly, the argument goes, the commencement of such an action within the prescribed period is a condition precedent to recovery, and unless commenced within that period the district court is without jurisdiction over the subject matter.

"This view, that the principles of estoppel against reliance upon statutes of limitation are not applicable to statutes that create a cause of action where none existed before and limit the time for commencing suit thereunder, has been rejected by the Supreme Court with regard to a statute of limitations contained in the Federal Employers' Liability Act. Glus v. Brooklyn Eastern District Terminal, 359 U.S. 231. In reaching that conclusion, the Court cited earlier cases in which the rejected view was expressed, but stated the language of those cases 'is in dicta and is neither binding nor persuasive.' "

.
Again, in Security Insurance Co. v. United States (C.A. 9, 1964), 338 F.2d 444, this Court at page 448 said:

"In Glus v. Brooklyn Eastern District Terminal, 1959, 359 U.S. 231, the Court held, in substance, that the three-year limitation applicable to actions under the Federal Employers' Liability Act was a statute of limitations, not a condition to suit, and that consequently fraud on the part of the defendant would extend the period within which the action could be brought. This case, we think, is in marked contrast to the attitude of the court in the Texas Portland Cement Company case, supra [233 U.S. 157]. "

To like effect see also:

Burnett v. New York Central Railroad Co. (1965),

380 U.S. 424, 425 et seq.;

Iovino v. Waterson (C.A. 2, 1959),

274 F.2d 41, 50-51;

Northern Metal Co. v. United States (C.A. 3, 1965),

350 F.2d 833, 837-838.

Appellees suggest further that the statute at bar (DOHSA) shows an intent to eliminate estoppel as a basis for avoiding its limitations period because provision is made for extending the limitations period where there is "no reasonable opportunity for securing jurisdiction of the vessel, person or corporation sought to be charged". But inclusion of this provision to protect admiralty causes of action where, as is often the case, jurisdiction can only be achieved by attaching the vessel in rem and where absence of the vessel from jurisdictional waters frustrates timely attachment, indicates no true intent to exclude other extensions of the limitations period under the long established principles of equitable estoppel. In substance the statutory limitations provision at bar is indistinguishable from the limitations provisions concerned in the Glus and other decisions reviewed above holding estoppel principles are not excluded, and the statute here---in the absence of any express provision to the contrary---should likewise be construed to respect those estoppel principles which, in the language of the Glus decision are "older than the country itself." (359 U.S. at p. 234.)

CONCLUSION

WHEREFORE, for all of the reasons and considerations above stated and those expressed in Appellant's Opening Brief, it is respectfully submitted the judgment below should be reversed and the cause reinstated for trial.

Respectfully submitted,
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WILLIAM B. MURRISH
Of Counsel

CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

/s/ Ben Margolis

BEN MARGOLIS



FEB 14 1967

**In the United States Court of Appeals
for the Ninth Circuit**

NATIONAL LABOR RELATIONS BOARD, PETITIONER

v.

CARROLL-NASLUND DISPOSAL, INC., RESPONDENT

**On Petition for Enforcement of an Order of the
National Labor Relations Board**

**BRIEF FOR THE NATIONAL LABOR RELATIONS
BOARD**

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FILED

JAN 17 1966

LIAM E. WILSON, Clerk

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<i>Siemons Mailing Service</i> , 122 NLRB 81	12, 13, 15, 18
<i>U. S. v. Tucker Truck Lines</i> , 344 U.S. 33.....	19
<i>United States v. Women's Sportswear Ass'n</i> , 336 U.S. 460	14
<i>United States v. Wrightwood Dairy Co.</i> , 315 U.S. 110	14
<i>Universal Camera Corp. v. N.L.R.B.</i> , 340 U.S. 474	9
<i>Utica Observer-Dispatch v. N.L.R.B.</i> , 229 F. 2d 575 (C.A. 2)	9
<i>Wickard v. Filburn</i> , 317 U.S. 111	14

Statute:

National Labor Relations Act, as amended (61 Stat. 136, 73 Stat. 519, 29 U.S.C., Sec. 151, <i>et seq.</i>)	1, 10
Section 2 (6)	10
Section 2 (7)	10
Section 6	16
Section 8 (a) (1)	2
Section 8 (a) (5)	2
Section 10 (a)	10
Section 10 (c)	1
Section 10 (e)	2, 15, 16

Miscellaneous:

N.L.R.B. Rules & Regulations, Sections 102.46, 102.46(e), 102.48, 102.48(d)	7, 8, 16, 17, 18
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**In the United States Court of Appeals
for the Ninth Circuit**

No. 20481

NATIONAL LABOR RELATIONS BOARD, PETITIONER

v.

CARROLL-NASLUND DISPOSAL, INC., RESPONDENT

**On Petition for Enforcement of an Order of the
National Labor Relations Board**

**BRIEF FOR THE NATIONAL LABOR RELATIONS
BOARD**

JURISDICTION

This proceeding is before the Court on petition of the National Labor Relations Board for enforcement of its order issued against respondent on May 25, 1965, pursuant to Section 10(c) of the National Labor Relations Act, as amended (61 Stat. 136, 73 Stat. 519, 29 U.S.C., Sec. 151, *et seq.*)¹ The Board's de-

¹ The relevant statutory provisions are reprinted *infra* pp. 21-24.

cision and order (R. 38-44)² are reported at 152 NLRB No. 88. This Court has jurisdiction under Section 10(e) of the Act, the unfair labor practices having occurred in Lewiston, Idaho.

STATEMENT OF THE CASE

I. The Board's findings of fact

The Board found that respondent is engaged in commerce within the meaning of the Act and that it would effectuate the policies of the Act to assert jurisdiction in this case. The Board further found that respondent violated Section 8(a)(5) and (1) of the Act by refusing to bargain collectively with the Union³ as exclusive representative of its employees, by soliciting signatures to letters revoking union authorization cards and by granting unilateral wage increases at a time when it was obliged to bargain with the Union regarding wages and other conditions of employment.

A. *The nature of respondent's business*

Respondent, an Idaho corporation, has its office and place of business in the City of Lewiston, Idaho,

² References designated "R." are to Volume I of the Record as reproduced pursuant to Rule 10 of this Court. References designated "Tr." are to the reporter's transcript of testimony as reproduced in Volume II of the Record. References designated "GCX" or "RX" are to exhibits of the General Counsel and respondent, respectively. References preceding a semicolon are to the Board's findings; those following are to the supporting evidence.

³ Truck Drivers Local No. 551, International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, Independent.

where it is engaged in the collection and disposal of garbage and refuse (R. 39, 19). Respondent performs its services in Lewiston, Idaho and Clarkton, Washington, which are on opposite shores of the Snake River (R. 19-20).⁴

During 1963, respondent's gross income was approximately \$88,000 (R. 39; Tr. 157-161). Under local ordinance, the collection of all garbage and rubbish within the City of Lewiston must be under the city's direction, but the mayor and city council are authorized to contract out this service to a private party. Such a contract was entered into between respondent and the city in 1955 and has continued in force until the present (R. 20; RX 1A). During the year 1963, total rubbish fees collected from residents of Lewiston amounted to approximately \$45,000 (R. 20, note 3; Tr. 157-161).⁵ In addition to this amount collected from Lewiston residents, in the same year respondent received about \$23,000 from commercial accounts in Lewiston. Of this amount, about \$7,200 was received from employers engaged in interstate commerce and who, in addition, are covered by the Board's jurisdictional standards by reason of having made purchases of \$50,000 annually from out-of-

⁴ The population of Lewiston in 1960 was 12,691; it is estimated to have about 20,000 inhabitants currently. Lewiston is located on the east bank of the Snake River which is the western boundary of Idaho and the eastern boundary of Washington (R. 19-20).

⁵ Under the terms of respondent's contract with the City of Lewiston, the latter bills and collects rubbish collection fees from the residents, retaining 20 percent of the gross collections as compensation for this service.

state sources or having annual gross sales in excess of \$500,000 (R. 20-21; Tr. 55-56, 159-160). As part of its agreement with the City of Lewiston, respondent uses and maintains a dump which is city property. The city makes annual purchases directly from outside the state of more than \$50,000 (R. 22; Tr. 160-161). Respondent also receives about \$11,300 a year from the collection of refuse in Lewiston Orchards Idaho, and approximately \$5,200 annually from the operation of a landfill in the Lewiston Orchards Irrigation District, a quasi-municipal corporation (R. 21; Tr. 70-72, 159-160).

Finally, respondent receives about \$3,000 a year from the collection of refuse in Clarkston Heights, Washington. For this work in Clarkston Heights respondent uses a truck that operates out of its Lewiston office (R. 21; Tr. 70-71).

B. The refusal to bargain

In September 1963, the Union began an organizing drive among respondent's seven employees and obtained signed authorization cards from a majority of them (R. 24; Tr. 78-80). On September 23, the Union wrote respondent as follows (GCX 3):

This letter will serve to notify you that Truck Drivers Local No. 551 represents the majority of your employees engaged in hauling garbage.

If you so desire, we stand prepared to prove our majority before any disinterested person we may mutually select.

We would like to meet with you to enter into negotiations on behalf of your employees
October 1st, 1963

At the request of Hugo Naslund, respondent's co-owner and director of its day-to-day activities, the meeting was postponed a day to October 2, 1963. At this meeting, Byers, the Union's representative, asked Naslund if he recognized the Union as bargaining representative of the employees, and again offered to prove the Union's majority through a card check by an independent third party. Naslund replied that he did not doubt that a majority of the employees had signed cards (R. 24-25; Tr. 82-83; 129-130).

Following a short discussion of various aspects of collective bargaining, Byers stated that he would submit a written contract proposal to respondent within a week (R. 25; Tr. 82-83, 130-131). On October 8, the Union mailed Naslund a proposed collective bargaining agreement and requested a meeting on October 14. Naslund made no reply to this letter, made no counterproposals and did not meet with the Union at any subsequent time (R. 25; Tr. 86-90, 131-134, 142-143).

During this period, Naslund asked employee Pete Schleifer if he had signed a union authorization card. Schleifer replied that he had done so. When Naslund asked him why, the employee answered that he had done so because the other employees had signed cards (R. 25; Tr. 133).

On or about October 29, Naslund had his wife type several identical letters, reading as follows (R. 25; Tr. 138-139, GCX 5):

This is to notify you that I am satisfied with the working conditions of Carroll-Naslund Disposal

Service and have no desire to be represented by your union.

Naslund took the letters to five employees at their homes and asked each employee to sign the letter. All five employees signed. Naslund or his wife then mailed the letters separately to the Union (R. 25; 140-142). Around November 1, respondent, without notifying or consulting with the Union, granted wage increases to about half its employees (R. 25; Tr. 134-136).

II. The proceedings before the Board

The charge in these proceedings was filed on November 4, 1963 (R. 3). Following the issuance of a complaint, a hearing was held on March 19 and 20, 1964. At the hearing, testimony was received relating to both the Board's jurisdiction and to the unfair labor practices allegedly committed by the Company. The Trial Examiner's Decision was issued on June 4, 1964. In his Decision, the Examiner concluded that the Board has statutory jurisdiction over respondent (R. 22) but that in his opinion "it would not effectuate the purposes of the Act to assert jurisdiction in the instant case because of the essentially local nature of respondent's operation. Dismissal of the complaint is therefore recommended" (R. 24).

The Examiner then stated (R. 24):

Although the Examiner has recommended dismissal of the complaint on jurisdictional grounds, we have no way of being certain of the Board's action. The facts of the case are presently in mind and since it is at least possible that the Board might assert jurisdiction, we have decided to make our findings on the merits

After discussing the evidence summarized *supra*, pp. 4-6, the Examiner found that the Company had violated Section 8(a)(1) and (5) of the Act by failing to meet and bargain with the Union after October 8, by granting unilateral wage increases to a number of its employees, and by undermining the Union by solicitation of signatures from employees to letters withdrawing their union adherence. The Examiner further noted that "the customary remedial action is appropriate," *i.e.*, that respondent should be directed to cease and desist from the unfair labor practices found, to bargain with the Union upon request and to post the usual notices (R. 25-26).

On the day the Trial Examiner's Decision issued, copies thereof were mailed to respondent and its counsel, together with an order transferring the case to the Board. A note on the face of this order of transfer declared that "Exceptions to the Trial Examiner's Decision in this case must be received by the Board in Washington, D. C. on or before June 29, 1964." The note also contained the following statement: "Attention is specifically directed to the excerpts from the Rules and Regulations appearing on the page attached hereto" (R. 27). The excerpts included Sections 102.46 and 102.48 of the Board's Rules and Regulations, which state, in part (R. 29):

Section 102.46(h) No matter not urged in exceptions or cross-exceptions may thereafter be urged before the Board, or in any further proceeding.

Section 102.48 . . . (a) In the event no timely or proper exceptions are filed as herein provided,

the findings, conclusions and recommendations of the Trial Examiner as contained in his decision shall, pursuant to Section 10(c) of the Act, automatically become the decision and order of the Board and become its findings, conclusions and order, and all objections and exceptions thereto shall be deemed waived for all purposes”

Both the General Counsel and the Union (the charging party herein) duly excepted to the Trial Examiner’s determination that the Board should decline to exercise its jurisdiction over respondent (R. 32-37).

Respondent filed no exceptions to the Trial Examiner’s Decision, nor did it, upon receipt of the exceptions filed by the General Counsel and the Union, file cross-exceptions, as it was permitted to do by the Board’s rules (Section 102.46(e)) (R. 28).

III. The Board’s Decision and Order

On the foregoing facts, the Board, in agreement with the Trial Examiner, concluded that respondent is engaged in commerce within the meaning of the Act, and, contrary to the Examiner, found that it would effectuate the purposes of the Act to assert jurisdiction herein (R. 38-40).⁶ Since no exceptions

⁶ The differences between the Board and the Trial Examiner on the jurisdictional issue turn on “conclusions, interpretations, law, and policy, . . . open to full review” rather than findings of fact, the “significance” of which “depends largely on the importance of credibility in the particular case.” Under these circumstances, the Examiner’s initial conclusion regarding jurisdiction, which was reversed by the Board, is not

were filed to the Examiner's findings that respondent had violated Section 8(a)(1) and (5) of the Act by failing to bargain collectively with the Union, by soliciting signatures to letters revoking union authorization cards and by granting unilateral wage increases, the Board adopted these findings *pro forma* (R. 40).

The Board's order (R. 41-43), in accordance with the Examiner's recommendations, requires the Company to cease and desist from the unfair labor practices found and from in any like or related manner interfering with, restraining or coercing its employees in the exercise of their protected rights. Affirmatively, the Company is required to bargain collectively with the Union as the representative of its employees and to post the usual notices.

ARGUMENT

I. The Board Properly Asserted Jurisdiction Over Respondent's Operations

A. *The existence of statutory jurisdiction is plain*

Respondent, an Idaho corporation with its principal place of business in Lewiston, Idaho, acknowledged before the Board that it earns over \$3,000 per annum through its operations in Clarkston Heights, Washington, and that these operations are carried out by a truck based in Lewiston (*supra*, p. 4). The

entitled to special weight. *Universal Camera Corp. v. N.L.R.B.*, 340 U.S. 474, 494, 496. See also, *N.L.R.B. v. Texas Independent Oil Co.*, 232 F. 2d 447, 451 (C.A. 9); *N.L.R.B. v. Eclipse Lumber Co.*, 199 F. 2d 684, 686 (C.A. 9); *Utica Observer-Dispatch, Inc. v. N.L.R.B.*, 229 F. 2d 575, 577 (C.A. 2).

Board's statutory jurisdiction, therefore, clearly exists.⁷ The Act specifically states that the statutory jurisdiction of the Board extends to any person "... engaging in any unfair labor practice . . . affecting commerce."⁸ Moreover, once it is determined, as here, that interstate commerce would be adversely affected if the business immediately involved were disrupted as the result of a labor dispute, the Act applies regardless of the volume of commerce affected, provided it is more than "*de minimus*." *N.L.R.B. v. Fainblatt*, 306 U.S. 601, 607. And see *N.L.R.B. v. Denver Building and Construction Trades Council*, 341 U.S. 675, 684-685; *N.L.R.B. v. Reliance Fuel Oil Corp.*, 371 U.S. 244; *N.L.R.B. v. Stoller*, 207 F. 2d 305, 307 (C.A. 9), cert. denied, 347 U.S. 919; *N.L.R.B. v. Townsend*, 185 F. 2d 378, 383 (C.A. 9), cert. denied, 341 U.S. 909. While no mathematical formula is available for determining exactly what is *de minimis*, it is well settled that "*de minimis* in the law has always been taken to mean trifles—matters of a few dollars or less." *N.L.R.B. v. Suburban Lumber Co.*, 121 F. 2d 829, 832 (C.A. 3), cert. denied, 314 U.S. 693. Accord: *N.L.R.B. v. Stoller*,

⁷ As noted above, although the Examiner recommended that the Board not assert jurisdiction over respondent's operations, he did conclude specifically that the Board had statutory jurisdiction (R. 22). Not having excepted to the factual findings underlying this conclusion respondent is foreclosed from attacking them at this time. See *infra*, pp. 15-19.

⁸ Section 10(a), 29 U.S.C. Section 160(a), as those terms are defined by Section 2(6) and (7) of the Act, 29 U.S.C. Section 152(6) and (7).

supra (\$12,000 not *de minimis*); *N.L.R.B. v. Aurora City Lines, Inc.*, 299 F. 2d 229, 231 (C.A. 7) (\$2,000 not *de minimis*). As the cited cases indicate, the time has not yet arrived when the \$3,000 amount realized from respondent's interstate operation can be considered but a trifle.

B. *The Board's assertion of jurisdiction does not constitute an abuse of its discretion*

Under settled law, when the business activities of an employer have a sufficient impact on interstate commerce to involve the statutory jurisdiction of the Board, the extent to which that jurisdiction will be exercised is a matter of administrative policy within the Board's discretion. "Providing the Board acts within its constitutional and statutory power it is not for the courts to say when that power should be exercised." *N.L.R.B. v. Townsend, supra*, 185 F. 2d at 383 (C.A. 9); Accord: *N.L.R.B. v. Stoller, supra*, 207 F. 2d at 307 (C.A. 9) and cases cited; *N.L.R.B. v. W. B. Jones Lumber Co.*, 245 F. 2d 388, 391 (C.A. 9). In carrying out this administrative policy, the Board has established standards to determine under what conditions it will assert its jurisdiction. The function served by these self-imposed standards is to conserve the Board's resources so that it may "concentrate its energies" upon those cases having a significant impact on interstate commerce. *N.L.R.B. v. Jones, supra*, 245 F. 2d at 391; *N.L.R.B. v. F. M. Reeves*, 273 F. 2d 710, 711 (C.A. 10), cert. denied, 366 U.S. 914. Accordingly, respondent may not successfully argue that its unfair labor practices should

be beyond the reach of the Act simply because it has not met the Board's self-imposed standards. For, as this Court has held, "These standards could not limit the jurisdiction conferred by Congress It would not appear subversive if the Board decided the activities in extraordinary cases were such that there was a substantial effect upon commerce . . . notwithstanding [the Board's self-imposed standards were not met]." *N.L.R.B. v. Jones*, *supra*, 245 F. 2d at 391. Accord: *N.L.R.B. v. M. L. Townsend*, *supra*, 185 F. 2d at 383 (C.A. 9); *Lucas County Farm Bureau Cooperative Association v. N.L.R.B.*, 289 F. 2d 844, 845-846 (C.A. 6), cert. denied, 368 U.S. 823; *N.L.R.B. v. Parran*, 237 F. 2d 373, 375 (C.A. 4); *N.L.R.B. v. Pease Oil Co.*, 279 F. 2d 135, 137 (C.A. 2).

In any event, respondent's operations clearly meet the Board's self-limiting standards. Thus, the Board has concluded that "it will best effectuate the purposes of the Act if jurisdiction is asserted over all non-retail enterprises which have an [*indirect*] *outflow across State lines of at least \$50,000* For the purposes of applying this standard, . . . *indirect outflow* refers to sales of goods or services to users meeting any of the Board's jurisdictional standards except the indirect outflow or indirect inflow standard." *Siemons Mailing Service*, 122 NLRB 81, 85. And see, *N.L.R.B. v. Hod Carriers', etc., Local No. 652, AFL-CIO*, 351 F. 2d 151, 153-154 (C.A. 9). As shown above, respondent annually receives over \$3,000 directly from customers in Clarkston, Washington and receives over \$7,200 annually from cus-

tomers in Lewiston who individually meet the Board's jurisdictional standards. In addition, respondent annually receives about \$45,000 from the City of Lewiston which makes annual purchases of goods and materials worth at least \$50,000 directly from outside Idaho. Although the city itself is exempt from the Board's jurisdiction, the Board relied on the dollar value of the services rendered by respondent to the city in determining that respondent meets the Board's jurisdictional standards.

The Board's conclusion that respondent meets its jurisdictional standards, on the basis, *inter alia*, of the services furnished the city, accords with Board policy expressed in *Siemons Mailing Service, supra*, where the Board stated (122 N.L.R.B. at 85, n. 12):

We will also continue our past practice of treating sales of goods or services to enterprises or organizations which are themselves exempted from the Board's jurisdiction as indirect outflow, where such enterprises' or organizations' operations are of the magnitude necessary for the assertion of jurisdiction over comparable non-exempt organizations. See, for example, *G. C. McBride Company* 110 NLRB 1255; *Madison County Construction Co.*, 115 NLRB 701; *J. Tom Moore & Sons, Inc.*, 119 NLRB 1663.

The Board's application of this policy in the instant case is clearly within its administrative discretion, notwithstanding the fact that respondent's operations, as the Trial Examiner noted, are essentially local in character. For, as the Supreme Court said in discussing an analogous problem arising under the Sher-

man Act: "If it is interstate commerce that feels the pinch, it does not matter how local the operation which applies the squeeze." *United States v. Women's Sportswear Ass'n*, 336 U.S. 460, 464. Accord: *United States v. Wrightwood Dairy Co.*, 315 U.S. 110, 116, 119; *Wickard v. Filburn*, 317 U.S. 111, 125. And see, *Shore v. Bldg. Trades Council*, 173 F. 2d 678, 680-681 (C.A. 3). The rationale behind this doctrine is clearly illustrated by the present case: A labor dispute among respondent's employees might well lead to a work stoppage which could⁹ seriously interfere with the activities of respondent's customers, many of which do substantial amounts of interstate business and one of which is a city government responsible for the health and well-being of 20,000 inhabitants. A work stoppage by respondent's employees could, for example, impair efficiency and impede production of local businesses engaged in interstate commerce. The health hazard created by a cessation of rubbish collection in the city obviously could interfere with the activities of these businesses and the well being of their employees. Furthermore, a stoppage could force the city government to divert funds from other programs for emergency rubbish removal and as a consequence curtail purchases of interstate goods. For these various reasons, it is manifest that the Board's assertion

⁹ It is well settled that the Act does not require that an actual effect on interstate commerce be shown; a presumed effect is sufficient. *N.L.R.B. v. Bradford Dyeing Ass'n.*, 310 U.S. 318, 326; *N.L.R.B. v. Register Publishing Co.*, 141 F. 2d 156, 162-163 (C.A. 9).

of jurisdiction over respondent's activities was reasonable and proper.¹⁰

II. Respondent Failed to Except to the Trial Examiner's Findings That It Had Committed Unfair Labor Practices in Violation of the Act. Accordingly, the Board Properly Adopted These Findings of the Examiner *Pro Forma*

Under Section 10(e) of the Act,

No objection that has not been urged before the Board, its member, agent or agency, shall be considered by the court, unless the failure or

¹⁰ By overruling the Trial Examiner's recommendation that jurisdiction not be asserted over respondent, the Board indicated its disagreement with the conclusions he drew (R. 23-24) from various prior Board cases in which jurisdiction was found with respect to employers doing business with enterprises not themselves covered by the Act. That the Examiner's rationale for not asserting jurisdiction does not accord with Board policy is reflected if nothing else in his dismissing as inapposite the three cases (*G. C. McBride Company, supra*; *Madison County Construction Co., supra*; *J. Tom Moore & Sons, Inc., supra*) which the Board expressly relied on in *Siemons Mailing Service, supra*, where the controlling policy on this issue was set forth. Thus, the legal significance of the Board's citation of those three cases in *Siemons Mailing* lies in the fact that each of the cases involved employers doing business with enterprises not subject to the Board's jurisdiction. In each instance, the enterprise not covered by the Board's jurisdiction was also an instrumentality of commerce in a broad sense, in that it provided services which are essential in our economic and industrial system to the free flow of interstate commerce. Obviously, the continued operation of a municipal government and the providing of public services in a city of 20,000 population is just as important to the uninterrupted flow of commerce as any of the services or functions involved in the cases considered inapposite by the Trial Examiner.

neglect to urge such objection be excused because of extraordinary circumstances.

Pursuant to the rule-making authority vested in it by Section 6 of the Act, the Board has adopted regulations specifying the manner of bringing to its attention objections to the Trial Examiner's Decision, or any portion thereof. Under these rules, such objections must be made in the form of exceptions filed with the Board in Washington, D.C. within a specified period after service of the Trial Examiner's Decision. In the event no exceptions are filed, the Examiner's findings automatically become the findings of the Board, and "all exceptions and objections thereto shall be deemed waived for all purposes." Sections 102.46 and 102.48 (R. 29). These rules were written in effectuation of Section 10(e), and the reason for their adoption is clear. The orderly administration of the Act requires that the Board devise a means of assuring that it is apprised of all objections to the findings and conclusions made at initial stages of its proceedings, "so that the body charged with responsibility for finding the facts may discharge its duty." *N.L.R.B. v. Pugh and Barr, Inc.*, 194 F. 2d 217, 220 (C.A. 4). Accord: *N.L.R.B. v. Townsend, supra*, 185 F. 2d 378, 382-383 (C.A. 9).

The Board's rules, made to carry out the mandate of Section 10(e) of the Act, have received full judicial approval. *N.L.R.B. v. Giustina Bros. Lumber Co.*, 253 F. 2d 371, 374-375 (C.A. 9); *N.L.R.B. v. Noroian*, 193 F. 2d 172, 173 (C.A. 9); *N.L.R.B. v. Peyton Fritton Stores, Inc.*, 336 F. 2d 769 (C.A. 10); *Korach v. N.L.R.B.*, 229 F. 2d 138, 143, 144 (C.A. 7); *Kiekhaefer Corp. v. N.L.R.B.*, 273 F. 2d

314, 316-317 (C.A. 7), cert. denied, 362 U.S. 950; *N.L.R.B. v. Ferraro's Bakery, Inc.*, No. 16585, decided Nov. 18, 1965 60 LRRM 2422 (C.A. 6); *N.L.R.B. v. Mooney Aircraft, Inc.*, 310 F. 2d 565, 566 (C.A. 5), and cases cited; *N.L.R.B. v. Izzi*, 343 F. 2d 753 (C.A. 1). Accordingly, since respondent failed to except to the Examiner's findings that it violated the Act, it may not attack these findings before this Court. *N.L.R.B. v. Cheney California Lumber Co.*, 327 U.S. 385, 388-389; *Marshall Field and Company v. N.L.R.B.*, 318 U.S. 253, 254; *N.L.R.B. v. Ochoa Fertilizer Corp.*, 368 U.S. 318; *N.L.R.B. v. Giustina Bros.*, *supra*; *N.L.R.B. v. Noroian*, *supra*. In short, if this Court agrees that the Board properly asserted jurisdiction over respondent, it should uphold the Examiner's unfair labor practice findings without argument on the merits. To do otherwise, it is plain, would undermine what the Supreme Court has called "the salutary policy adopted by § 10(e) of affording the Board opportunity to consider on the merits questions to be urged upon review of its order." *N.L.R.B. v. Cheney California Lumber Co.*, *supra*, at 48.

Nor will it avail respondent to argue that Sections 102.46 and 102.48 of the Board's Rules and Regulations are inapplicable to the case at bar, because of the fact that the Trial Examiner recommended that the Board not assert jurisdiction over respondent and that the complaint be dismissed (R. 24). As shown above (p. 6), the Trial Examiner specifically stated that the Board might decide to assert jurisdiction over respondent. In order, therefore, to "obviate a remand at some later date in the event the

Board asserts jurisdiction," he analyzed the evidence in detail and found that respondent had violated the Act in several particulars (R. 24-25). Thereafter, respondent was specifically notified that failure to take proper exception to the "findings, conclusions and recommendations" of the Trial Examiner would constitute a waiver of all objections thereto "for all purposes" and that "No matter not included" in exceptions or cross-exceptions could thereafter "be urged before the Board or in any further proceedings" (R. 29). As we have seen, respondent filed no exceptions, even though the General Counsel and the charging party filed timely exceptions to the Examiner's recommendation that the Board not assert jurisdiction over respondent. In both sets of exceptions it was pointed out that the Board's holding in *Siemons Mailing Service, supra*, clearly brought respondent within the Board's jurisdictional standards (R. 32, 35-37). In the posture of the case thus presented, respondent was directly on notice that the Board might overrule the Examiner's recommendation regarding jurisdiction and that failure to file cross-exceptions, as permitted under the Board's rules, would constitute a waiver of any objections it might have to the Examiner's adverse findings of fact and conclusions of law. The Board, receiving no objections to the Examiner's unfair labor practice findings, properly adopted these findings *pro forma*. Significantly, respondent also failed to petition the Board for reconsideration of its decision, a procedure which is provided for in Section 102.48(d) of the Board's rules and which respondent was free to follow.

Under these circumstances, respondent, having repeatedly failed to lay before the Board any objections to the adverse findings and conclusions of the Examiner, is now foreclosed from objecting thereto in this proceeding. The only alternative procedure to the one followed by the Board here, would have been for the Board to state its decision on the jurisdictional issue, open the record to further exceptions and cross-exceptions, and then make a separate decision on the merits of the unfair labor practices. Such a procedure, we submit, would compel the Board to decide a single cause through piecemeal proceedings, subject litigants to undue delay, and disrupt the orderly administration of the Act. As the Supreme Court stated in *U. S. v. Tucker Truck Lines, Inc.*, 344 U.S. 33, 37:

Simple fairness to those who are engaged in the tasks of administration and to litigants, requires as a general rule that courts should not topple over administrative decisions unless the administrative body not only has erred but has erred against objection made at the time appropriate under its practice.¹¹

¹¹ Although the Court may decline to issue a decree enforcing the Board's order if it concludes that the Board has "patently traveled outside the orbit of its authority so that there is, legally speaking, no order to enforce" (*N.L.R.B. v. Cheney California Lumber Co.*, 327 U.S. 385, 388), on this record it is clear that the Board's order is well within its "ample discretion in adapting remedy to violation." *Ibid.* See also *Joy Silk Mills v. N.L.R.B.* 185 F. 2d 732, 741-742 (C.A.D.C.), cert. denied, 341 U.S. 914; *Franks Bros. Co. v. N.L.R.B.*, 321 U.S. 702; *N.L.R.B. v. Howard-Cooper Corp.*, 259 F. 2d 558 (C.A. 9), enforcing 117 NLRB 287, 288-289.

CONCLUSION

For the foregoing reasons, we respectfully submit that a decree should be entered enforcing the Board's order in full.¹²

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National Labor Relations Board.

January 1966.

CERTIFICATE

The undersigned certifies that he has examined the provisions of Rules 18 and 19 of this Court and in his opinion the tendered brief conforms to all requirements.

Marcel Mallet-Prevost
Assistant General Counsel
National Labor Relations Board

¹² In the event the Court concludes that the Board properly exercised jurisdiction over respondent's business but believes that the Board should not have adopted the Trial Examiner's unfair labor practice findings *pro forma*, we submit that the matter should be remanded to the Board for consideration of respondent's conduct in light of the unfair labor practice prohibitions of the Act. See *Ford Motor Co. v. N.L.R.B.*, 305 U.S. 364, 373-375; *Great Western Broadcasting Co. v. N.L.R.B.*, 310 F. 2d 591, 600 (C.A. 9).

APPENDIX

The relevant provisions of the National Labor Relations Act, as amended (61 Stat. 136, 73 Stat. 519, 29 U.S.C., Secs. 151, *et seq.*) are as follows:

DEFINITIONS

Sec. 2. When used in this Act—

* * * *

(6) The term “commerce” means trade, traffic, transportation, or communication among the several States, * * *

(7) The term “affecting commerce” means in commerce, or burdening or obstructing commerce or the free flow of commerce, or having led to or tending to lead to a labor dispute burdening or obstructing commerce or the free flow of commerce.

* * * *

RIGHTS OF EMPLOYEES

Sec. 7. Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and shall also have the right to refrain from any or all of such activities except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized in section 8(a)(3).

UNFAIR LABOR PRACTICES

Sec. 8(a) It shall be an unfair labor practice for an employer—

(1) to interfere with, restrain, or coerce employees in the exercise of the rights guaranteed in section 7;

* * * *

(5) to refuse to bargain collectively with the representatives of his employees, subject to the provisions of section 9(a).

* * * *

(d) For the purposes of this section, to bargain collectively is the performance of the mutual obligation of the employer and the representative of the employees to meet at reasonable times and confer in good faith with respect to wages, hours, and other terms and conditions of employment, or the negotiation of an agreement, or any question arising thereunder, and the execution of a written contract incorporating any agreement reached if requested by either party, but such obligation does not compel either party to agree to a proposal or require the making of a concession: * * *

* * * *

REPRESENTATIVE AND ELECTIONS

Sec. 9(a) Representatives designated or selected for the purposes of collective bargaining by the majority of the employees in a unit appropriate for such purposes, shall be the exclusive representatives of all the employees in such unit for the purposes of collective bargaining in respect to rates of pay, wages, hours of employment, or other conditions of employment: * * *

* * * *

PREVENTION OF UNFAIR LABOR PRACTICES

Sec. 10(a) The Board is empowered, as hereinafter provided, to prevent any person from engaging

in any unfair labor practice (listed in section 8) affecting commerce. This power shall not be affected by any other means of adjustment or prevention that has been or may be established by agreement, law, or otherwise: * * *

(b) Whenever it is charged that any person has engaged in or is engaging in any such unfair labor practice, the Board, or any agent or agency designated by the Board for such purposes, shall have power to issue and cause to be served upon such person a complaint stating the charges in that respect and containing a notice of hearing before the Board or a member thereof, or before a designated agent or agency, at a place therein fixed, not less than five days after the serving of said complaint: * * *

(c) * * * If upon the preponderance of the testimony taken the Board shall be of the opinion that any person named in the complaint has engaged in or is engaging in any such unfair labor practice, then the Board shall state its findings of fact and shall issue and cause to be served on such person an order requiring such person to cease and desist from such unfair labor practice and to take such affirmative action including reinstatement of employees with or without back pay, as will effectuate the policies of this Act: * * *

* * * *

(e) The Board shall have power to petition any court of appeals of the United States, . . . within any circuit . . . wherein the unfair labor practice in question occurred or wherein such person resides or transacts business, for the enforcement of such order and for appropriate temporary relief or restraining order, and shall file in the court the record in the proceedings, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition, the

court shall cause notice thereof to be served upon such person, and thereupon, shall have jurisdiction of the proceeding and of the question determined therein, and shall have power to grant such temporary relief or restraining order as it deems just and proper, and to make and enter a decree enforcing, modifying, and enforcing as so modified, or setting aside in whole or in part the order of the Board. No objection that has not been urged before the Board, its member, agent, or agency, shall be considered by the court, unless the failure or neglect to urge such objection shall be excused because of extraordinary circumstances. The findings of the Board with respect to questions of fact if supported by substantial evidence on the record considered as a whole shall be conclusive.

FEB 14 1967

**In The United States Court of Appeals
For The Ninth Circuit**

NATIONAL LABOR RELATIONS BOARD, PETITIONER

vs.

CARROLL-NASLUND DISPOSAL, INC., RESPONDENT

**On Petition for Enforcement of an Order of the
National Labor Relations Board**

BRIEF FOR RESPONDENT

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**In The United States Court of Appeals
For The Ninth Circuit**

No. 20481

NATIONAL LABOR RELATIONS BOARD, PETITIONER

vs.

CARROLL-NASLUND DISPOSAL, INC., RESPONDENT

**On Petition for Enforcement of an Order of the
National Labor Relations Board**

BRIEF FOR RESPONDENT

JURISDICTION

Respondent considers the sole issue before this Court to be jurisdiction, and the jurisdiction of the Board and the Court is, therefore, opposed.

STATEMENT OF THE CASE

The Trial Examiner found that the Respondent, Carroll-Naslund Disposal, Inc., is an Idaho corporation, doing business in the City of Lewiston, Idaho, a city with a population of approximately 12,000, and that in the operation of its business of the collection

and disposal of garbage, it operated in an adjoining area contiguous to the City of Lewiston, known as Lewiston Orchards, a suburb, and that the corporation consisted of Virgil Carroll, Hugh Naslund, and Virgil Carroll's wife, President, Vice President and Secretary-Manager, respectively. The company employs about seven employees. Carroll owns stock in a company referred to as X-L Refuse, Inc., a Washington corporation, engaged in collection and disposal of garbage in the City of Spokane, Washington, a distance of approximately 120 miles.

Naslund works with the other employees, in addition to handling his supervisory duties.

There is no inter-change of equipment or personnel between Carroll-Naslund and X-L, and there is no evidence in the record with reference to amounts of purchases, or equipment, tires, trucks, gasoline, oil, etc. by either company. The record, however, does show that there is no common billings for these items or for other items, and that different insurance companies carry the public liability insurance for each company, and separate and independent audits of the books of each company are made. According to witness Carroll, X-L was not financed by Carroll-Naslund corporate funds.

The City of Lewiston, under its responsibility to collect and dispose of garbage, awarded a contract to Carroll-Naslund, the contract prescribing the collection of garbage in the residential and commercial areas. From this contract, the Respondent received a net sum of approximately \$36,000.00, a gross sum of approximately \$45,000.00, from the residents of the city. From its commercial accounts in Lewiston the Respondent receives approximately \$22,000.00. Some of the com-

mercial customers are themselves engaged in interstate commerce. The fees from such customers who are themselves engaged in commerce either on the basis of \$50,000.00 annually from out of the state, or sales of \$500,000.00 a year as a retailer, amounts to approximately \$7,000.00. As a part of its agreement with the City the respondent receives an additional fee of approximately \$1,600.00 for maintaining a city dump.

The Respondent collects and disposes of garbage for Lewiston Orchards, the suburb of Lewiston, for which it collects approximately \$11,000.00 annually, and from the Lewiston Orchards Irrigation District, for which the Respondent is performing land fill operations, approximately \$5,000.00.

The City of Clarkston, Washington, across the river from Lewiston, has its own garbage operation, but the Respondent performs some services in a suburb, called Clarkston Heights, outside the corporate limits of the City of Clarkston, and in doing this work for the individual customers in this area, the Respondent receives approximately \$3,000.00.

The annual income of X-L is approximately \$47,000.00. Of this sum, \$25,000.00 is on a Government contract with the Fairchild Airforce Base, which is in the Spokane area. The other items are from collections in the communities surrounding Spokane.

The Trial Examiner held that the Respondent and X-L were not a single employer, and also held that the employees of the Respondent were not employees of the City of Lewiston. The remaining question was whether or not the Respondent as a single employer was engaged in interstate commerce, or if its opera-

tions had an effect upon interstate commerce, as required by the Act.

ARGUMENT

While it is admitted that statutory jurisdiction exists by reason of Carroll-Naslund's position in the neighboring town of Clarkston Heights, the one truck used in this operation grosses only \$3,115.00. The one truck is engaged in the collection of garbage for individuals in the residential district and according to the Trial Examiner would be covered by the *de minimis* ruling. The facts also show that the collection of garbage and disposal of the same is all performed in Clarkston, there is no back-haul into Lewiston.

The findings of fact by the Trial Examiner, therefore, shows that the amount of indirect inflow was not only *de minimis*, but far below the \$50,000.00 yardstick suggested for a non-retail establishment, and that the \$45,000.00 worth of services performed for the City of Lewiston should not be counted in computing the jurisdictional requirements. The Trial Examiner was clearly correct in his finding that garbage collection in the city is "about as local an activity as can be conceived." The Trial Examiner, therefore, adopted the more recent and proper rule that the Board and the Court should look to the over-all and general purpose of the employer's operation. Is the employer's operation set up to serve the local needs of a small community, if so and considering the facts in this case, can it be said that an interruption in this Respondent's business would in any way place a burden upon or effect interstate commerce? Obviously the answer is no.

The Board in reversing the Trial Examiner relied almost entirely on the Board case of *Siemons Mailing Service*, 122 NLRB 81. This case was decided on November 14, 1958. However, on the same date the Board in the *Carolina Supplies and Cement Company* clarified and modified its policy and ruling, and in this case referred to the *Siemons case*, and the *Guss v. Utah Labor Relations Board*, 353 US 1, and in reversing former decisions and establishing a definite, clear-cut rule stated that either as to a group of stores, or as to a single store, the test will be a required \$500,000.00 per annum gross volume.

In the *Carolina Supplies and Cement case* the Board reviewed all its policies and decisions from the beginning of the Act, and concluded that its former policy and rulings were not only confusing and required considerable time consuming efforts in determining inflow and outflow, both direct and indirect, but that it would be more expedient and facilitate the handling of cases to establish an over-all requirement that the retail store or service establishment must do a gross of \$500,000.00 per annum to be covered by the Act.

The Board stated:

"Ever since the enactment of the National Labor Relations Act in 1935 the Board has consistently held to the position that it better effectuates the policies of the Act and promotes the prompt handling of cases not to exercise its jurisdiction to the fullest possible extent under the authority delegated to it by Congress."

"The Board has chosen this case to set forth the revised standard to be applied in all future and pending cases involving retail enterprises.

[*Revised Standards Involving Retail Enterprises*]

The Board has decided that it will assert jurisdiction over all retail enterprises which fall within its statutory jurisdiction and *which do a gross volume of business of at least \$5000,000 per annum*. The Board will apply this standard to the total operations of an enterprise whether it consists of one or more establishments or locations, and whether it operates in one or more States.

[*Outflow-Inflow Standards Abandoned—Gross Volume of Business Test Adopted*]

“In adopting this standard the Board has departed from its past practice of also utilizing outflow and inflow standards in aid of its jurisdictional determinations with respect to retail enterprises.

“The Board has decided to apply only a gross volume of business standard to such enterprises. The \$500,000 standard chosen by the Board should, in its opinion, reasonably insure that jurisdiction will be asserted over all labor disputes involving retail enterprises which tend to exert a pronounced impact upon commerce.”

Carolina Supplies & Cement Co., 122 NLRB 17.

The National Labor Relations Board has usually followed, and to some extent adopted the rulings and decisions under the Fair Labor Standards Act as to the exemption for an establishment set up to serve a local community and local needs, and if the Fair Labor Standards Act held the establishment to be retail, the National Labor Relations Board usually follows the decision.

Following the 1949 amendment to the Fair Labor Standards Act the Courts, and particularly the United

States Supreme Court, has adopted the rule that enterprises or establishments set up to serve purely local needs, and almost completely controlled by local rules and laws and serving primarily the needs of the community, should be considered retail and under the jurisdiction of the State, and not the Federal Government. This position is set out in *Mitchell v. Zachary*, 362 US 310, in which Justice Frankfurter stated:

“For the Act also manifests the competing concern of Congress to avoid undue displacement of state regulation of activities of a dominantly local character. Accommodation of these interests was sought by the device of confinement of coverage to employment in activities of traditionally national concern.***”

“Furthest removed from ‘commerce’ is employment not ‘in’ production ‘for’ commerce but in an activity which is only ‘related’ to such production***”

This position is also followed in the case of *Wirtz v. Modern Trash Moval, Inc.* Cert. den., 323 F.2d 451 (1963). This case is closely analagous to the instant case and involved the handling and disposition of trash by a concern similarly situated.

These decisions are also followed in *Goldberg v. Sorvis*, 294 F.2d 841, and *Mitchell v. T. F. Taylor Fertilizer Works*, 233 F.2d 284.

It is urged by the General Counsel that the Respondent has no right to defend this Petition, since the Respondent did not file Exceptions to the Intermediate Report. We believe it is a well established rule that the question of jurisdiction may be raised at any time, and we also submit to the Court that since the decision by

the Trial Examiner was favorable to the Respondent, and since this decision held that the Board was without jurisdiction, there would be little reason or cause for the Respondent to file Exceptions to the Report.

CONCLUSION

In conclusion, the Respondent contends that under the facts in this case, the Court is without jurisdiction, and that the case should, therefore, be dismissed.

DATED: This 9th day of February, 1966.

WESTON & WESTON
By Eli A. Weston
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CERTIFICATE

The undersigned certifies that he has examined the provisions of Rules 18 and 19 of this Court, and in his opinion the tendered brief conforms to all requirements.

Eli A. Weston
One of the Attorneys for
Respondent.

FEB 14 1967

**In the United States Court of Appeals
for the Ninth Circuit**

NATIONAL LABOR RELATIONS BOARD, PETITIONER

v.

CARROLL-NASLUND DISPOSAL, INC., RESPONDENT

**On Petition for Enforcement of An Order of the
National Labor Relations Board**

**REPLY BRIEF FOR THE
NATIONAL LABOR RELATIONS BOARD**

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**In the United States Court of Appeals
for the Ninth Circuit**

No. 20481

NATIONAL LABOR RELATIONS BOARD, PETITIONER

v.

CARROLL-NASLUND DISPOSAL, INC., RESPONDENT

**On Petition for Enforcement of An Order of the
National Labor Relations Board**

**REPLY BRIEF FOR THE
NATIONAL LABOR RELATIONS BOARD**

This reply brief is directed to respondent's contention that the Board violated its own self-imposed jurisdictional standards in asserting jurisdiction over respondent's operations.

1. The existence of the Board's statutory jurisdiction over respondent's activities has been demonstrated in the Board's opening brief (pp. 9-11) and is conceded by respondent (Resp. Br. p. 4). Accordingly, respondent may not successfully argue that its violations of the Act should be beyond the reach of

the law merely because its volume of business does not bring it within the "self-limiting standards gratuitously adopted by the Board itself." *N.L.R.B. v. W.B. Jones Lumber Co.*, 245 F. 2d 388, 391 (C.A. 9). As this Court has repeatedly held, ". . . where the Board has [statutory] jurisdiction, as it had in this case, whether such jurisdiction should be exercised is for the Board, not the Courts, to determine." *N.L.R.B. v. Stoller*, 207 F. 2d 305, 307 (C.A. 9). Accord: *N.L.R.B. v. Jones*, *supra*, at 391; *N.L.R.B. v. Carpenters Local No. 2133, etc., et al.*, No. 20,324, decided February 10, 1966 (C.A. 9). This Court has, therefore, properly held that such a decision is "not justiciable," in the absence of extraordinary circumstances such as "unjust discrimination . . . in the consideration of one case and refusal to hear others unfair or lacking in due process." *N.L.R.B. v. Jones*, *supra*, 245 F. 2d at 391. Since no such discrimination is present here, respondent's contention must fail. For where "the Board acts within the scope of its statutory authority, the question of whether or not it chooses to act within the established limits is one of policy. The courts are not vested with authority to control such exercise of prerogative. Furthermore, [respondent] has no right to challenge the exercise or non-exercise of any jurisdiction with which Congress has endowed the Board." *Ibid.*

2. Respondent does not advance its case by its reliance on *Wirtz v. Modern Trashmoval, Inc.*, 323 F. 2d 451. (C.A. 4), cert. denied, 377 U.S. 925. That case is wholly inapposite, since it involved the extent

of the power granted by Congress to the Secretary of Labor under the provisions of the Fair Labor Standards Act. 63 Stat. 917, 29 U.S.C.A. 213(a)(2).¹ It is clear from a comparison of the relevant language of the Fair Labor Standards Act with that of the National Labor Relations Act—the jurisdiction of the latter extending to “any person . . . engaging in any unfair labor practice . . . affecting commerce” (Section 10(a))—that the jurisdiction of the NLRA is by far the more extensive. As the court noted in the *Trashmoval* case, 323 F. 2d at 456:

It is uniformly recognized that in enacting the Fair Labor Standards Act of 1938 the Congress did not exercise the full scope of its power to regulate commerce. [citing, *inter alia*, *Mitchell v. H.B. Zachry Co.*, 362 U.S. 310, 314-316]. The rejection of a proposal to adopt language making the Act applicable to employees “engaged in commerce in any industry affecting commerce” instead of the enacted language which applied the regulation of hours and wages to “each of his employees who is engaged in commerce or in the

¹ The cited statutory provisions, which were at issue in the *Trashmoval* case, exempt from the wage, hour and record-keeping requirements of that statute

. . . any employee employed by any retail or service establishment, more than 50 per centum of which establishment's annual dollar volume of sales of goods or services is made within the State in which the establishment is located. A ‘retail or service establishment’ shall mean an establishment 75 per centum of whose annual dollar volume of sales of goods or services (or of both) is not for resale and is recognized as retail sales or services in the particular industry; . . .

production of goods for commerce" (29 U.S.C.A. §§ 206, 207) indicated a Congressional purpose to leave local business to regulation by the states. [Citations omitted].

By way of contrast, Congress, in establishing the Board's jurisdiction under the National Labor Relations Act, used virtually the exact language it later rejected in the FLSA. Hence, as this Court pointed out in *N.L.R.B. v. Inglewood Park Cemetery Association*, No. 19,741, decided January 14, 1966, under the NLRA. "Congress intended to and did vest in the Board the fullest *jurisdictional* breadth permissible under the Commerce Clause," quoting from *N.L.R.B. v. Reliance Fuel Oil Corp.*, 371 U.S. 224, 226. (Emphasis in this Court's opinion).

It is clear, moreover, that the scope of judicial review under the FLSA is far greater than that established by Congress in the NLRA. As the Court noted in *Wirtz v. Modern Trashmoval*, *supra* at 456, "In the absence of a provision for administrative determination, the primary responsibility for the application of the [Fair Labor Standards] Act to particular fact situations has been vested in the courts" In contrast, the National Labor Relations Act "establishes a framework within which *the Board* is to determine whether proscribed practices would in particular situations adversely affect commerce when judged by the full reach of the constitutional power of Congress" *N.L.R.B. v. Inglewood Park*, *supra*, quoting *N.L.R.B. v. Reliance Fuel*, *supra*, 371 U.S. at 226. (Emphasis added).

Finally, the Court in *Modern Trashmoval, supra*, was dealing with a specific Congressional intent to exempt retail business from the coverage of the FLSA. The question before this Court is a far more limited one: namely, whether the Board, in deciding whether to exercise the right granted to it by the Congress to take jurisdiction over this employer's business, should be compelled, as a matter of law, to conform its decision to certain self-imposed standards for retail enterprises, rather than for non-retail establishments. As we show below, the Board's classification of respondent as a nonretail business was reasonable, and accorded with well-established Board practice.

3. For a number of years, the Board has held that its jurisdictional standards for "retail" businesses would not be applied to enterprises which sell goods or services to "*institutions, industrial, commercial, and professional users, and governmental bodies.*" *J.S. Latta and Son*, 114 NLRB 1248, 1249. (Emphasis in Board decision). The Board's reasoning was based on the Supreme Court's decision in *Roland Electrical Company v. Walling*, 326 U.S. 657, 674-675, in which the Court had noted that "Retailing includes all marketing transactions in which the purchaser is actuated solely by a desire to satisfy his own personal wants or those of his family or friends through the personal use of the commodity or service purchased," but that sales to commercial consumers or governmental bodies were more properly denomi-

nated as “wholesale.” *Ibid* at 674-675.² Accordingly, in *Latta, supra*, the Board held that its non-retail standard of jurisdiction should be applied to an employer engaged chiefly in the sale of furniture and laboratory equipment to public school districts. See *Harris & Harris, d/b/a Culligan Soft Water Service*, 149 NLRB 2, 3; *Labor Relations Commission, Massachusetts*, 138 NLRB 381, 382-383; *Truman Schulp*, 145 NLRB 768, 769. In the instant case, about \$23,000 of respondent’s \$88,000 gross annual income is derived from sales of its service to business and commercial users. Accordingly, even if the remainder of its income be considered retail (but see pp. 8-9, n. 3, *infra*) the Board properly applied its nonretail standard to respondent, since, under Board policy, “where, as here, an employer is engaged in combination retail and nonretail operations, the Board’s nonretail standards will be applied if the employer’s income from such operations exceeds *de minimis*.” *Cemetary Service Corporation*, 149 NLRB 604, 605-606. Accord: *Appliance Supply Co.*, 127 NLRB 319, 320, and cases cited.

In sum, the Board’s decision to apply its nonretail standard to respondent’s business is reasonable, is predicated in part on a decision of the United States Supreme Court, is in accordance with a policy that

² Reliance by the Secretary of Labor on the “business use” test of *Roland Electrical Company* is no longer possible, because Congress passed the 1949 amendments to Section 13(a)(2) of the Fair Labor Standards Act in order to eliminate the “business use” test, insofar as it applied to the FLSA. See *Modern Trashmoval, supra*, 323 F. 2d at 464-465.

has been applied consistently to employers whose business operations are similar to those of respondent, and is well within the statutory powers granted to the Board by the Congress. Accordingly, the holdings of this Court (*supra*, p. 2) plainly compel a finding that the Board properly asserted jurisdiction over respondent's operations.

4. Respondent's contention, based on *Modern Trashmoval, supra* that the Board's retail standard should apply to its operations, was not mentioned at the hearing or in its brief to the Trial Examiner, was never raised at any stage of the proceedings before the Board, and is now presented to this Court for the first time, clearly as an afterthought. Hence, should the Court find merit to the argument, it would be appropriate that the case be remanded to the Board for full consideration of the issues raised by *Modern Trashmoval*. Although the Board, on the record before it, reasonably considered respondent to be a non-retail establishment, it should have an opportunity to reconsider the matter rather than have its petition for enforcement denied on the basis of an argument never presented to it.³

³ Subsequent to the filing of the Board's opening brief herein, the Supreme Court decided *Idaho Sheet Metal Works v. Wirtz*, 34 Law Week 4167 (February 24, 1966). The opinion contains dictum referring with approval to the Fourth Circuit's construction in the *Modern Trashmoval* case of the retail exemption from FLSA coverage. 34 Law Week at 7171, n. 17. Inasmuch as the issues raised in *Modern Trashmoval* do not affect the Board's statutory jurisdiction over respondent, we do not deem it necessary to make a detailed refutation of the court's finding in that case that the employer was exempt

CONCLUSION

For the reasons stated above, as well as those stated in our main brief, we respectfully request that the

from the coverage of the Fair Labor Standards Act. It should be noted, however, that, unlike the employer in *Modern Trashmoval*, respondent in the case at bar was performing its services pursuant to an exclusive contract with the City of Lewiston, which alone, under local ordinance, has control over the collection of refuse within its boundaries. As the holder of an *exclusive franchise* to perform an essential public service, respondent's business, unlike Modern Trashmoval's, may be likened to that of a public utility. Trash collection services are so regarded by the United States Bureau of the Budget and by a recent District Court decision. Standard Industrial Classification Manual, 1957 Ed., pp. 142-143; *Wirtz v. DeBoer Bros.*, 51 LC ¶ 31,695, pp. 42,437-42,438 (D.C., N.D. Ill.). Since water, gas and electric utilities were specifically classified as nonretail by the 1942 Wage and Hour Manual (Sec. 29-31) and were clearly considered to be nonretail by the sponsors of the 1949 amendments to Section 13(a) (2) of the FLSA, it may well be that respondent is subject to the FLSA, even though Modern Trashmoval fell within the exemption. See *Mitchell v. Kentucky Finance Co.*, 359 U.S. 290, 295; *Goldberg v. Roberts*, 291 F. 2d 532, 533-534 (C.A. 9).

Viewed as a public utility, respondent might fall within the Board's self-imposed jurisdictional standard for that type of business. Thus, the Board has declared that it will "assert jurisdiction over all public utilities which do a gross volume of business of at least \$250,000 or which have an outflow or inflow of goods, materials, or services, whether directly or indirectly across state lines, of \$50,000 or more per annum." *Sioux Valley Empire Electric Association*, 122 NLRB 92, 94. As the record herein shows, respondent's indirect outflow of services across the State line was in excess of \$50,000 (Pet. Br. pp. 12-13), and hence the Board's jurisdictional standard which is applied to public utilities may be applicable.

Court issue a decree enforcing the Board's order in full.

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March 1966.

CERTIFICATE

The undersigned hereby certifies that he has examined the provisions of Rules 18 and 19 of this Court and that in his opinion the tendered brief conforms to all requirements.

MARCEL MALLET-PREVOST
Assistant General Counsel
National Labor Relations Board

No. 20495 ✓

FEB 14 1967

IN THE

United States Court of Appeals
FOR THE NINTH CIRCUIT

FARMER BROS. CO.,

Appellant,

vs.

HUDDLE ENTERPRISES, INC.,

Appellee.

Upon Appeal From No. 121,094-MC in the United States
District Court, Southern District of California, Central
Division.

APPELLANT'S OPENING BRIEF.

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No. 20495

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

FARMER BROS. CO.,

Appellant,

vs.

HUDDLE ENTERPRISES, INC.,

Appellee.

Upon Appeal From No. 121,094-MC in the United States District Court, Southern District of California, Central Division.

APPELLANT'S OPENING BRIEF.

Jurisdiction.

This is an appeal from an Order of the United States District Court for the Southern District of California, Central Division, sitting as a Bankruptcy Court, which Order was filed herein September 3, 1965 [Tr. Rec. p. 144]. Said Order affirmed an Order of a Referee in Bankruptcy, filed November 30, 1964 [Tr. Rec. p. 73] which denied Appellant, Farmer Bros. Co., authority to foreclose a deed of trust (actually three instruments executed in counterpart) on certain real property held by Appellee, Huddle Enterprises, Inc., debtor under a Chapter XI arrangement. The Referee in Bankruptcy held, among other things, that Appellant was estopped from foreclosing its deed of trust and the District Court on Petition for Review of the Referee's Order

expressly approved the Order and affirmed and adopted the Findings of Fact and Conclusions of Law made by the Referee.

Jurisdiction of the lower court was conferred by Bankruptcy Act, Sec. 1 (11 U.S.C. §1), and Bankruptcy Act, Sec. 2 (10), (11 U.S.C. §11 [10]). Jurisdiction on this appeal is based on Bankruptcy Act, Sec. 24 (11 U.S.C. §47), and Bankruptcy Act, Sec. 316 (11 U.S.C. §716).

Statement of the Case.

Since February 1, 1958, Appellant has been, and now is, the beneficiary and trustee of a deed of trust (three instruments executed in counterpart) executed in its favor by Paul S. Cummins and Ruth Cummins, as Trustors, encumbering eighteen separate parcels of real property situate in the Counties of Los Angeles, Fresno, and Stanislaus [Find. of Fact III; Tr. Rec. p. 63]. Said deed of trust secures payment of a promissory note of even date therewith in the principal sum of \$200,000.00 and an addition to said note dated June 5, 1958 in the principal sum of \$25,000.00 both executed by said Trustors in favor of Appellant [Find. of Fact IV; Tr. Rec. p. 64].

Appellant's trust deed is a "second" deed of trust, being subject to a "first" deed of trust in favor of United California Bank to secure an indebtedness originally in the sum of \$1,000,000.00 and upon which there was remaining unpaid as of October, 1964, the sum of \$487,630.41. There is a third trust deed against the eighteen parcels securing an obligation in the face amount of \$120,000.00, and a fourth trust deed in the approximate sum of \$17,000.00 [Find. of Fact V; Tr. Rec. p. 64].

Each of the eighteen parcels is improved with service station facilities under separate long term leases to the Texas Company (Texaco) [Find. of Fact VI; Tr. Rec. p. 65] which long term leases expire September 30, 1970 [Ref. Cert. Rev.; Tr. Rec. p. 98, lines 10-11]. The first trust deed note must be paid in full on or before September 1, 1970 [Ref. Cert. Rev.; Tr. Rec. p. 98, lines 20-26]. To amortize that note, all rental income from the eighteen parcels is presently assigned to and is being collected by United California Bank [Ref. Cert. Rev.; Tr. Rec. p. 102, lines 2-3].

The eighteen service station parcels so encumbered by Appellant's trust deed are some, but by no means all, of the assets of the debtor's (Appellee's) estate, there being a total of twenty-seven separate, improved parcels of realty owned by Appellee [Find. of Fact VIII; Tr. Rec. p. 66].

After Appellant received its trust deed from the Cumminses on February 1, 1958, the latter on or about January 15, 1959, made a general assignment for the benefit of their creditors to Appellee, which assignment included Appellant's encumbered parcels [Find. of Fact VI; Tr. Rec. p. 65]. Then on February 8, 1961, an involuntary petition in bankruptcy was filed against Appellee and on February 9, 1961 it was adjudicated a bankrupt; on June 6, 1961 a petition was filed under Sec. 321, Chapter XI of the Bankruptcy Act (11 U.S.C. §721) proposing a Plan of Arrangement with Appellee's creditors; and, on November 22, 1961 an Order was entered dismissing Chapter XI proceedings and directing that Bankruptcy be proceeded with [Find. of Fact I; Tr. Rec. p. 63].

Thereafter, another petition was filed under Sec. 321 of the Bankruptcy Act proposing an Amended Plan of Arrangement and the same was confirmed and approved by the Court by Order dated February 18, 1964 [Find. of Fact II; Tr. Rec. p. 63]. The Amended Plan after providing in paragraph XI, Article II [Am. Plan, Tr. Rec. pp. 6-7] that the first trust deed against the eighteen service station parcels would be satisfied through the assignment of the rental income from said properties, went on to provide in paragraph XI, Article X [Am. Plan, Tr. Rec. p. 10] as follows:

“Debtor proposes to pay the interest on claims of junior lien holders at the rate of not to exceed \$18,492.00 per annum in equal monthly installments.”

Despite the foregoing provision of the Amended Plan, by August 17, 1964, Appellant had not received *any payment* from *any source*, upon its secured debt since before institution of bankruptcy proceedings, and the debt had grown to exceed \$295,000.00, and was accumulating interest at the rate of \$1,036.30 per month [Find. of Fact XIII, Tr. Rec. p. 67]. Consequently, on said August 17, 1964, Appellant filed its “Petition for Leave to Enforce Trust Deed on Certain Parcels of Property” [Tr. Rec. pp. 30-35], which Petition came on for hearing before the Referee in Bankruptcy on October 13, 1964.

After the hearing was concluded the Referee made and entered Findings of Fact and Conclusions of Law [Tr. Rec. pp. 62-71] wherein he found that Appellant had been tendered the payment of the interest on its trust deed provided for by the Amended Plan but had refused to accept the same [Find. of Fact VIII: Tr.

Rec. p. 67]; that it actively participated in the assignment for benefit of creditors and the debtor's affairs, had not objected to the [Amended] Plan of Arrangement and had led unsecured creditors to believe that it would abide by its terms and conditions [Find. of Fact XX, XXI, XXII; Tr. Rec. pp. 69-70]; and, that a foreclosure on the properties would injure and prejudice the rights of unsecured creditors because the general fund to which they look under the [Amended] Plan of Arrangement is the equity in the service station properties [Find. of Fact XXIII; Tr. Rec. p. 70]. The Referee thereupon concluded that Appellant was bound by the Plan of Arrangement and was estopped from foreclosing [Conclusions of Law II, III, IV; Tr. Rec. p. 71]. On November 30, 1964, the Referee entered an Order denying Appellant leave to foreclose.

Thereafter on December 9, 1964, Appellant petitioned the District Court for a review of the Referee's Order. On September 3, 1965 the District Court filed its Order Affirming Referee's Order of November 30, 1964 stating, "Under the facts of this case the Referee rightly found that Farmer Bros. was estopped to foreclose on their [sic] security at the present time," and expressly adopting the Referee's Findings of Fact and Conclusions of Law [Tr. Rec. p. 144]. From the District Court's said Order, Appellant prosecutes this appeal.

In affirming and adopting the Referee's action, the lower court abused its discretion and committed error in the following particulars:

1. In the absence of express consent, withheld by Appellant, a secured creditor's rights cannot be altered, affected or arranged in a Chapter XI proceeding.

2. Upon proper procedure the Court in a Chapter XI proceeding has the power to stay foreclosures until final decree under Sec. 314 of the Act if, and only if, the debtor can show that (a) the stay is essential to facilitate the primary purpose of the arrangement; and (b) the stay will not cause substantial injury to the secured creditor, neither of which tests was met.

3. Finding of Fact XIII [Tr. Rec. p. 67] to the effect that Appellant was tendered all interest due on its secured debt accruing after the date of the Order Approving the Plan of Arrangement is not supported by the evidence which shows that any tender was a conditional one.

4. By applying the doctrine of estoppel *in pais* the lower court reached beyond the prescribed limits of Chapter XI of the Bankruptcy Act.

5. Findings of Fact XX and XXI [Tr. Rec. pp. 69-70] are based upon a misapplication of substantive law to the facts and do not support the Conclusions of Law regarding estoppel because:

(a) Where an estoppel is based upon silence, the one asserting the estoppel must show a duty to speak, absent from this case.

(b) Appellant's conduct could only amount to representations as to the future, and estoppel *in pais* must be based upon representations as to an existing or past fact or state of things, and is never based upon promises or representations as to the future.

(c) So-called representations on Appellant's part were plainly doubtful and of questionable inference and not such as to justify reliance by a prudent man.

(d) Neither Appellee nor the general unsecured creditors will be, or have been, injured by Appellant's conduct, and detriment is the *sine qua non* of estoppel *in pais*.

6. Finding of Fact No. XXII [Tr. Rec. p. 70] to the effect that certain creditors advanced large sums to procure confirmation of the Amended Plan because Appellant led them to believe that it would abide by the terms and conditions of the Plan does not support the Conclusions of Law regarding estoppel because:

(a) The evidence shows that Appellant has, Appellee has not, complied with the provisions of the Amended Plan.

(b) In any event, there is no finding or showing that such creditors will suffer any injury or detriment.

We point out, parenthetically, that the Transcript of Record contains a Referee's Certificate on Review [pp. 97-143] which summarizes all of the facts, stipulations, and evidence upon which the Referee based the Findings of Fact ultimately approved and adopted by the District Court. There is no contention that the Referee's Certificate is not fair and complete, and it will serve quite capably in lieu of a reporter's transcript. The specifications of error above, summarize Appellant's argument, to which it now proceeds.

ARGUMENT.

I.

Absent Its Consent, Rights of Secured Creditor Cannot Be Affected, or Arranged in Chapter XI Proceeding.

The effect of the Order Affirming Referee's Order of November 30, 1964, made and entered in the Court below denying Appellant permission to foreclose its deed of trust is plainly erroneous in that it sanctions a Plan of Arrangement which purports to arrange the rights of secured creditors. The rights of secured creditors, however, cannot be altered, affected or arranged in a Chapter XI proceeding for the reason that the Bankruptcy Act does not contemplate the inclusion of secured creditors within the pale of the provisions which, together, compose Chapter XI of the Act (U.S.C., Title 11, Chap. 11, §§ 701-709). Sec. 306 of the Bankruptcy Act (11 U.S.C. §706) defines an arrangement as:

“Any plan of a debtor for the settlement, satisfaction, or extension of the time of payment of his *unsecured* debts, upon any terms.” (Emphasis added.)

Similarly both Sections 356 and 357 of the Act (11 U.S.C. §§ 756, 757) dealing with the mandatory and permissive provisions of an arrangement, refer only to *unsecured* creditors. It is implicit in these statutes that an arrangement may not deal with the rights of secured creditors and the cases so hold. Beginning many years ago, in the touchstone case of *Securities & Exchange Commission v. United States Realty and Improvement Co.*, 310 U.S. 434, 84 L. Ed. 1293, 60 S.

Ct. 1044 (1940), the United States Supreme Court said, page 452:

“Under Chapter XI only the rights of unsecured creditors of the debtor may be arranged and this without altering of the status of any other securities holder. . . .”

(See also *Collier on Bankruptcy*, 14th Ed., Vol. 8 p. 90; Vol. 9, pp. 155, 165.)

On its face, the Amended Plan appears to have but slight impact on Appellant's secured rights. It provides for payment of current interest on junior encumbrances (but not delinquent interest which, in Appellant's case, was in excess of \$80,000.00 at date of hearing before the Referee), and does not purport to *prohibit* foreclosures. However, the Referee by Finding of Fact. XXIII [Tr. Rec. p. 70] found that:

“ . . . the General Fund to which unsecured creditors look in this case under the [Amended] Plan of Arrangement as Approved by the Court is the equity in the service station properties upon which Farmer Bros. Co. now seeks foreclosure. . . .”

Additionally, the Referee stated in his Certificate on Review [Tr. Rec. pp. 99-100]:

“The Amended Plan of Arrangement was based principally upon the belief that within a comparatively reasonable time the debtor corporation could refinance these properties and pay the junior lienholders, and ultimately realize sufficient funds from the operation of this property and/or the sale thereof, to pay general unsecured creditors a substantial dividend.”

The Amended Plan provides no period of time, nor any mechanism or method for refinancing secured indebtedness and it is apparent that any such scheme was carefully excluded from its provisions. Had such provisions been included, we cannot believe that the court would have confirmed the Plan for it would fall cleanly outside the scope of a Chapter XI proceeding and, hence, be illegal. Nor, can the Amended Plan be validated by permitting Appellee to stand in the lee of the present restraining order and do what it could not have done by express provision in the Plan.

The extreme scarcity of decisions dealing with situations where a secured creditor's rights were attempted to be arranged would suggest that it is rarely attempted. However, the case of *In re Camp Packing Company*, 146 F. Supp. 935 (N.D.N.Y. 1956) is amazingly identical with the facts presented here. There the debtor owned real properties encumbered by a first mortgagees held jointly by two mortgagees. There, as here, an Amended Plan of Arrangement was proposed, except that in the *Camp* case the Plan expressly contained provisions to the effect that the debtor would be permitted to sell three parcels of real estate designated "surplus property" but encumbered by the first mortgage. It was estimated that the total sum of \$57,400.00 would be realized from such sale and the proceeds were to be applied either on the existing mortgage debt or used in refinancing to obtain a new mortgage. The mortgagee objected to this provision of the Amended Plan and requested the Referee to strike the same, but he refused to do so. On Review, the District Court reiterated the rule that a secured creditor's rights cannot be arranged in a Chapter XI proceeding and went on to say, at page 939:

"Only a casual reading of the plan is required. Its end is stated to be the ultimate payment of secured and unsecured creditors, so that its proposals must be construed in the light of its expressed purpose. It proposes to arrange the secured indebtedness by splitting the security in accordance with the Referee's order and selling portions thereof and it purports to reserve the right to use the sale price other than in reduction of the secured debt. It contemplates proceedings whereby the secured indebtedness is to be jeopardized by a sale of the securities free from the lien of the indebtedness. It is inescapable that the plan contemplates an alteration of the status of the secured creditors by judicial compulsion. Such provisions are entirely different from an agreement to obtain the consent of the secured creditor to the modification of his rights. Such an agreement seems to be an authorized part of the plan. (*Collier on Bankruptcy*, 14th Ed., Vol. 8, pages 1077 and 1086.)"

The court in the *Camp* case suggests that a secured creditor may expressly consent to that which would otherwise be impossible and such seems to be the rule. So, in *Collier on Bankruptcy*, 14th Ed., Vol. 9, page 187, the textwriter says:

"While the rights of the secured creditor cannot be dealt with in the Chapter XI proceeding itself, there is no restriction against the making of a voluntary agreement outside the proceeding for modifying those rights, and the debtor can provide in the arrangement that he will procure such agreement."

The Amended Plan at bar, however, contains no provision for obtaining any secured creditor's consent to its provisions and Appellant, on many occasions, expressly refused to agree not to foreclose. Thus, Mr. Baird, a witness called by Appellee, testified that agents of Appellant, ". . . when asked at various times if they would sign an agreement not to foreclose answered—'We will not sign such an agreement'" [Ref. Cert. Rev.; Tr. Rec. p. 120, lines 6-9]. Moreover, Appellant, as one of Appellee's major *unsecured* creditors, has never filed its consent to the approval of the Amended Plan [Ref. Cert. Rev.; Tr. Rec. p. 105, lines 12-14].

II.

On Proper Showing Court May Stay Foreclosures Until Final Decree Under Section 314 of the Bankruptcy Act.

To the foregoing rule that a secured creditor's rights cannot be altered, affected or arranged in a Chapter XI proceeding, there exists not an exception, but rather, a qualification. This qualification is found in Sec. 314 of the Act (11 U.S.C. §714) which provides in pertinent part as follows:

"The Court may . . . upon notice and for cause shown, enjoin or stay until final decree any action or the commencement or continuation of any proceeding to enforce any lien upon the property of a debtor."

Appellee at any time over the years could have brought on a proper order to show cause under Sec. 314 of the Act against all lienholders but for some reason,

not apparent in the record, chose not to do so. However, since Appellee may contend that Appellant's petition to enforce trust deeds is tantamount to a Section 314 proceeding, we feel that it is essential that that section of the Bankruptcy Act be briefed to the end that it be shown inapplicable to the facts at bar.

Section 314 provides no basis for arranging a secured creditor's rights. It merely provides a mechanism whereby the Referee, on a proper showing, can maintain the *status quo* with regard to secured creditors for a limited period of time. It is not a mechanism for placing secured debts under a general moratorium for that would be "arrangement". As the court correctly observed in *In re Empire Steel Company*, 228 F. Supp. 316 (D. Utah, 1964), p. 319:

"The 'status' of secured creditors then unavoidably would be affected, for status depends not only upon assurance of eventual payment but the right to payment or enforcement in point of time bearing some relationship to the conditions of the security instrument."

(Cf. *Chaffee County Fluorspar Corporation v. Athan*, 169 F. 2d 448, 450 (C.A. 10th, 1948); *In re Holiday Lodge, Inc.*, 300 F. 2d 516, 519 *et seq.* (C.A. 7th, 1962); *In re Murel Holding Corporation*, 75 F. 2d 941, 942 (C.A. 2d, 1935).)

Consequently, a proper showing under Section 314 of the Act is made when the debtor can show that (1) the injunction is necessary to facilitate the primary purpose of the arrangement; and, (2) that the injunction will not cause substantial injury to the secured creditor. These tests are not met in the case at bench.

A. Retention of Secured Parcels Not Necessary to Facilitate the Plan of Arrangement.

The classic illustration of the first qualification would be a situation where the debtor under arrangement owns a manufacturing plant subject to a deed of trust. If he can remain in business a relatively short period of time he will be able to pay a good percentage of the debts of his unsecured creditors from the proceeds of a contract he is in the process of completing. However, if the trust deed holder be permitted to accelerate the payment of his note and foreclose on the manufacturing plant, the debtor will then be put out of business. In such a situation it is obvious that a stay of foreclosure under Section 314 of the Act would be necessary to facilitate the primary purpose of the arrangement and the first test would be met.

The best illustration of the rule is found in *In re Tracy*, 194 F. Supp. 293 (N.D. Cal., 1961), where a secured creditor held a trust deed upon the debtor-under-arrangement's home and also upon his place of business. The debtor, having failed to make the periodic payments on the secured debt, the home and the business property were advertised for foreclosure sale and the debtor petitioned for a stay under Section 314 of the Act and a stay order was made. On Review, the District Court said, pages 295-296:

"The Court has the power to restrain sale of the property in question under the deeds of trust, only if necessary to facilitate the primary purpose of this proceeding, and if it does not cause substan-

tial injury to the lienor (See *Chaffee County Fluorspar Corp. v. Athan, supra*).

“It seems possible, from all the facts now before this Court, that Debtor’s current accounts receivable are more than ample to pay his unsecured creditors, and that all that is necessary by way of an arrangement between Debtor and his unsecured creditors is that he be given time to collect those accounts receivable. If this is so, it well may be an abuse of discretion to restrain the sale of the residence and place of business under these Chapter XI proceedings, for that sale would be of no importance to the unsecured creditors, and would be a matter strictly between Debtor and Crane Co. If there is to be an arrangement for the primary purpose of altering the rights of creditors holding debts secured by real property, it must be under the provisions of Chapter XII of the Bankruptcy Act, and may not be confirmed without acceptance under those provisions (Title II U.S.C.A. §806(1), 866-872).

“It is, of course, true that the accounts receivable may prove to be uncollectible. In that event, the sale of Debtor’s place of business before he can dispose of his stock in trade may disrupt the Chapter XI proceeding. It is obvious that under such conditions the order restraining the sale of the place of business would be a legitimate exercise of the Referee’s discretion.”

In remanding the case for making further Findings of Fact with regard to the business property so as to enable the court to determine whether the Referee abused his discretion, the court implicitly recognized

that the Debtor's home could not be necessary to the plan of arrangement, saying, page 296:

"On the basis of the record now before the Court, it would not appear to be legally objectionable to permit the sale of the residence under the deed of trust, even if the sale of the business property may have to be restrained to prevent disruption of the arrangement."

There is no evidence in the record before this Court that the parcels encumbered by Appellant's trust deed were or are necessary to facilitate the arrangement. The only evidence in the record is precisely to the contrary for the following reasons:

1. The debtor presently receives no income whatsoever from these properties since all such income is assigned to the United California Bank, who is the first lienholder [Ref. Cert. Rev. p. 102, lines 2-5; Tr. Rec. p. 102], and will be so assigned and collected by it until September 1, 1970 [Ref. Cert. Rev.; Tr. Rec. p. 102, lines 29-30].

2. Furthermore, the court expressly found on the evidence before it [Find. of Fact XVI; Tr. Rec. p. 68]:

"That there are funds in substantial amounts coming into debtor's estate other than from rentals of the various service stations described in Farmer Bros. Co.'s petition, which are and will be available for the execution of the Plan of Arrangement. . . ."

Therefore, it is clear that this property, like the debtor's home in the *Tracy* case simply is not necessary to facilitate the primary purpose of the arrange-

ment. The debtor derives no income therefrom and has sufficient income from other sources with which to execute the Plan.

**B. Effect of Stay Order Causes Substantial
Injury to Petitioner.**

The second half of the limitation on the court's power to stay foreclosure enunciated by the *Tracy* case is to the effect that a stay of foreclosure cannot cause "substantial injury" to the *secured creditor*. (See also *Collier on Bankruptcy*, 14th Ed. Vol. 8, p. 266) Despite this further limitation the court expressly found [Find. of Fact XXIII; Tr. Rec. p. 70]:

"That a foreclosure by Farmer Bros. Co. on the property upon which it has security in this case would substantially injure and prejudice the rights of *unsecured* creditors because the General Fund to which *unsecured* creditors look in this case under the Plan of Arrangement as approved by the Court is the equity in the service station properties upon which Farmer Bros. Co. now seek foreclosure . . ." (Emphasis added.)

To the extent that the court has based its injunction on a finding of injury to the *unsecured* creditors, it has applied the limitation on its discretion layed down in the foregoing authorities and implicit in the Bankruptcy Act, *exactly in reverse!*

On the other hand, there was evidence in the record which clearly establishes that Appellant is "substantially injured" by the stay order. We have heretofore pointed out with appropriate reference to the record that to the time of the hearing on Appellant's Petition For Leave To Enforce Trust Deeds, it had received no

payment on its secured obligations for well over four years and its secured debt had steadily risen to over \$295,000.00 and to the date of the writing of this brief, the picture is unchanged (the debt is now approximately \$310,000.00). Secondly, the lien of the first trust deed holder will not be paid off until September 1, 1970 while the lease to the Texas Company, wherein lies the value of these properties, expires on September 30, 1970, Thirdly, while at the time Appellant took its security all the parcels were in use as service station properties, one of the properties has ceased to operate as a service station site through the impact of eminent domain and is now vacant and unused by Texaco [Ref. Cert. Rev. p. 101, lines 12-15]. It is evident from the foregoing established facts that Appellant's debt is virtually under a moratorium and will effectively be so until 1970 when the use of the land upon which it took its security expires, and that it must meanwhile guess and speculate as to its position five years hence.

It is legally insufficient to answer that Appellant is adequately secured. Adequacy *versus* inadequacy of the security is not the test. In *In re Empire Steel Company*, 228 F. Supp. 316 (D. Utah, 1964) cited *supra*, the Referee in Bankruptcy upon *ex parte* application entered an order staying suits, including suit of The Small Business Administration to foreclose a loan agreement secured by real and chattel mortgages on which there was due approximately \$70,000.00. On Review, the court pointed out the following (pp. 316-317):

"The Referee indicated that the only basis for a valid objection to the stay would be proof that

the value of the government security had so greatly diminished as to become insufficient, and that the only essential on which the government could be heard was whether the debt was approaching or exceeding the value of the property.”

In remanding the case for further proceedings before the Referee, it said:

“The Referee’s consideration of the propriety of the stay was too narrow. The adequacy or inadequacy of the government’s security was only one of the questions upon which a decision should have been predicated.

“The present stay does not appear to be justified upon the record before the Referee.”

We can find no case under Chapter XI of the Bankruptcy Act where a stay order under Section 314 was upheld on the basis of a showing that the secured creditor was adequately secured.

**C. No Evidence of Tender of Monthly Interest
Under the Amended Plan.**

Appellee may contend that Appellant has compounded its hardship by refusing to accept the interest provided for in Paragraph XI, Article X of the Amended Plan of Arrangement. In that connection the court made the following finding [Find. of Fact XIII; Tr. Rec. p. 67]:

“ . . . that the debtor has tendered to Petitioner all interest due under said debt pursuant to the Plan of Arrangement accruing from and after the date of the Order Approving the Plan of Arrangement, and said Petitioner has thus far failed to accept said interest. . . .”

That finding is, as a matter of law, unsupported by the evidence. The only evidence (excluding that offered by Appellant) to support such finding was, that Appellee offered to pay Appellant the interest as provided in the Amended Plan on the condition that Appellant withdraw its Petition to Enforce Trust Deeds. Thus, Appellee's own evidence in this regard was the following [Ref. Cert. Rev.; Tr. Rec. p. 123, lines 15-30] :

“Mr. Baird testified that since the approval of the plan of arrangement, he had a meeting in the office of Mr. Lynch, one of counsel for Farmer Bros. Co., with Mr. Lynch, Mr. MacIntosh and Mr. St. John to discuss if it were possible to solve the foreclosure problem presented by the petition for authority to foreclose. In the course of those discussions, Mr. Baird stated in substance or in effect that *if* the debtor paid interest from the date of confirmation of the plan, as provided in the plan, would Farmer Bros. Co. be willing to withdraw the present action. Mr. Baird offered at that time to make such payment *if* this action were withdrawn. Mr. Baird further stated that the debtor was in a position to pay the interest now and that he would *recommend* the payment of this interest to the board of directors, and that he did not anticipate any trouble in getting the consent of the board of directors.” (Emphasis added).

A tender must be absolute and unconditional. *Calif. Civ. Code*, Sec. 1494; *Schiffner v. Pappas*, 223 Cal. App. 2d 526, 530 (1963). In 47 *Cal. Jur.* 2d, p. 266, it is said:

“A tender is ineffectual when accompanied by a condition that the one making the tender has no

right to impose. As expressed by statute, an offer of performance must be free from any conditions that the creditor is not bound to perform.”

Manifestly, the condition was one upon which Appellee had no right to insist. Obviously, the evidence does not support the finding of a tender.

From the foregoing it must be concluded that since the security is not necessary to facilitate the Amended Plan of Arrangement and since Appellant is substantially injured, particularly by the moratorium that exists on its debt, there is no legal justification for basing a stay of foreclosure on Sec. 314 of the Bankruptcy Act even if it could be successfully asserted that the lower court was in a procedural posture where it could apply Sec. 314.

III.

Doctrine of Estoppel Unavailable as Instrument to Reach Beyond Limits of Bankruptcy Act.

The next question raised on this appeal appears to be one of first impression and may be stated in this fashion: Can a secured creditor's rights be altered, affected, modified, or otherwise arranged in a Chapter XI proceeding through application of the doctrine of estoppel *in pais*? We are unable to find a single case that so holds and have been cited to none.

Consequently, this court is presented with the opportunity of engrafting into the Bankruptcy Act the first true exception to the rule that a plan of arrangement cannot affect the status or rights of a secured creditor. We contend that the opportunity should not be utilized. We insist that the court below committed error in applying the doctrine of estoppel to reach beyond

the prescribed limits of Chapter XI of the Bankruptcy Act.

Estoppel *in pais*, by the very soubriquet attached to it, "equitable estoppel," is obviously based upon equitable consideration. The fact that a Bankruptcy Court may apply equitable principles in aid of its functions should not permit it to affect the rights of secured creditors in order to "do justice" to unsecured creditors, when the provisions of Chapter XI of the Bankruptcy Act do not so contemplate. While the facts are not analogous, the rule layed down in *Guerin v. Weil, Gotshal & Manges*, 205 F. 2d 302 (C.A. 10th, 1953) seems *apropos*. There, at page 304, it is said:

"Although it has been broadly stated that a bankruptcy court is a court of equity, *Young v. Higbee Co.*, 324 U.S. 204, 214, 65 S. Ct. 594, 89 L. Ed. 890, the exercise of its equitable powers must be *strictly confined within the prescribed limits of the Bankruptcy Act*. See *Berry v. Root*, 5 Cir. 148 F. 2d 945, 946, *certiorari* denied 326 U.S. 755, 66 S. Ct. 91, 90 L. Ed. 453. Where Congress intended that allowances should be made it has carefully enumerated them, and any omissions must be construed as express exclusions, 3 *Col. Bankruptcy*, 1534-7 (14th Ed.)." (Italics supplied).

Consistent with the foregoing principle is the case of *In re Camp Packing Co.*, 146 F. Supp. 935 (N.D.N.Y., 1956) discussed *supra*, p. 10 which did involve a Chapter XI proceeding wherein rights of secured creditors were attempted to be arranged in a manner much like that contemplated here. After reviewing the principles of law discussed in detail at the beginning of this

brief, to the effect that secured rights cannot be arranged in a Chapter XI proceeding, the court said (146 F. Supp. 935, 939):

“It is an ineffective argument that equitable considerations justify the inclusion therein of the proposals under consideration. True, a bankruptcy court is a court of equity *but the exercise of its equitable powers must be strictly confined within the prescribed limits of the Bankruptcy Act . . .*” (Citation omitted, italics supplied).

Earlier, in *Securities & Exch. Com. v. United States Realty and Improvement Co.*, *supra*, the Supreme Court had said (310 U.S. 455):

“A bankruptcy court is a court of equity, §2, 11 U.S.C.A. §11, and is guided by equitable doctrines and principles except so far as they are inconsistent with the Act . . .” (Citations omitted).

From the foregoing authorities it would seem that unless Appellee can demonstrate that there is some other, broad, effective grant of power to be found in Chapter XI of the Bankruptcy Act, the lower court committed error in applying the doctrine of estoppel to alter, affect or modify Appellant's rights and status as a secure creditor.

IV.

No Basis for Application of Estoppel in Pais.

Assuming that this Court can hold that the doctrine of estoppel may be utilized as a matter of law to affect Appellant's status as a secured creditor, the final question to be resolved on this appeal is whether or not an estoppel *in pais* could be found in the facts placed before the court below. Appellant contends that the lower

court misapplied the substantive law of equitable estoppel to the facts that were put before it and that the Findings of Fact otherwise do not support the Conclusions of Law.

Findings of Fact XX, XXI and XXII [Tr. Rec. pp. 69-70], are the only findings upon which an estoppel could be predicated.¹ Findings XX and XXI turn more upon conduct, largely silence, rather than representations. Hence, those two Findings will be reviewed together, but separately, from Finding XXII.

In their totality, however, we insist that these Findings do not support the Conclusions of Law and the ultimate Order made by the court below for these reasons:

1. Where an estoppel is based upon silence, there must be a duty to speak, absent from this case.

2. Any acts or conduct upon Appellant's part could only amount to representations as to the future, and estoppel *in pais* must be based upon representations as to an existing or past fact or state of things and is never based upon promises or representations as to the future.

3. So-called "representations" on Appellant's part were plainly doubtful and of questionable inference and not such as to justify reliance by a prudent man.

4. Appellee was not, and will not, be prejudiced or injured by Appellant's conduct, and detriment is the *sine qua non* of estoppel *in pais*.

The substantive law of the State of California on the doctrine of estoppel is set forth in the form of a con-

¹Finding of Fact No. XXIV [Tr. Rec. pp. 70-71] is obviously a Conclusion of Law.

clusive presumption in *Calif. Code Civ. Proc.*, Sec. 1962(3) as follows:

“The following presumptions, and no others, are deemed conclusive:

* * * * *

“(3) Whenever a party has, by his own declaration, act, or omission, intentionally and deliberately led another to believe a particular thing true, and to act upon such belief, he cannot, in any litigation arising out of such declaration, act or omission, be permitted to falsify it . . .”.

Amplifying on the statute, a long line of California cases has enunciated four “elements” which must be present before the doctrine will apply. Best illustrative of these decisions is *Safway Steel Products, Inc. v. Lefever*, 117 Cal. App. 2d 489, 491 (1953) where it is said:

“‘In general, four things are essential to the application of the doctrine of equitable estoppel: First, the party to be estopped must be apprised of the facts; second, he must intend that his conduct shall be acted upon, or must so act that the party asserting the estoppel had a right to believe it was so intended; third, the other party must be ignorant of the true state of facts; and fourth, he must rely upon the conduct to his injury.’”

From the foregoing, the first element which must be found to be present is some declaration, act, or omission on the part of one “apprised of the facts.” Since there is no claim of “omission” on Appellant’s part, the Findings of Fact upon which the doctrine of estoppel was applied readily, divided themselves into two categories, viz.: (1) declarations, *i.e.*, express represen-

tations; and, (2) acts or implied representations through either silence or conduct contended to be communicative. The first two attacked findings being based virtually entirely upon silence or inaction, rather than express assertions or representations, are considered first.

The first of the Findings upon which an estoppel could be predicated is XX [Tr. Rec. p. 69] where the Court found:

“That Farmer Bros. Co. was one of the secured and unsecured creditors who actively participated in the assignment for the benefit of creditors given by Paul S. Cummins and Ruth Cummins, his former wife, to the debtor corporation, which Farmer Bros. Co. helped to organize and who had one of its officers or agents upon the Board of Directors of the debtor corporation at all times; that Farmer Bros. Co. advanced the sum of \$343.41 to help defray the expense of preparation of the schedules necessary for the Plan of Arrangement, and Farmer Bros. Co. participated in the preparation and the presentation of the Plan of Arrangement in this case, and never at any time raised any objection thereto, and at all times indicated its willingness to abide by the terms and conditions of the Plan of Arrangement.”

The second Finding is XXI [Tr. Rec. pp. 69-70] where the Court found:

“That Farmer Bros. Co. had a member of the Official Creditors’ Committee, appointed by the Court, actively participating in the Creditors’ Committee at the time the Plan of Arrangement was proposed by the unsecured creditors, and there-

after until his decease; and that thereafter, Mr. Ronald St. John of Farmer Bros. Co. sent a letter to this Court requesting that he be appointed to said Committee."

It is true that Appellant participated in the assignment for benefit of creditors; that it ultimately had a representative on Appellee's Board of Directors (which body became more or less inactive after August 24, 1961 [Tr. Rec. p. 114, lines 11-14; p. 118, lines 5-29]); that it had a representative on Appellee's creditors' committee from its formation on August 14, 1962 until the late fall of 1963;² and, that it advanced the sum of \$343.41 to help defray the expense of preparation of schedules necessary for the Plan of Arrangement.³ But there is absolutely no evidence that it, "... participated in the preparation and the presentation of the Plan of Arrangement . . .", if the finding is intended to refer to the *Amended* Plan; and, if it can be said that Appellant, "... never at any time raised any objection thereto, and at all times indicated its willingness to abide by the terms and conditions of the [Amended] Plan of Arrangement," such finding must be predicated on silence alone.⁴ For the very best evidence Appellee

²Appellant's Heistand died in December, 1963 [Ref. Cert. Rev.; Tr. Rec. p. 106, lines 1-2], while Appellant's Credit Manager St. John has never been an official member of the Creditors' Committee [Ref. Cert. Rev.; Tr. Rec. p. 104, lines 14-21].

³The Findings speak loosely of the "Plan of Arrangement" without differentiating between the Amended Plan of Arrangement before this Court. While Appellant did advance funds to secure confirmation of the "original" Plan of Arrangement which fell through in 1961, Appellant expressly refused to contribute anything toward defraying expenses of the *Amended* Plan of Arrangement [See, Ref. Cert. Rev.; Tr. Rec. p. 135, lines 21-28].

⁴The uncontradicted evidence is that Appellant, as an unsecured creditor, has never filed its consent to the Amended Plan of Arrangement [Ref. Cert. Rev.; Tr. Rec. p. 105, lines 12-15].

offered to sustain such finding was, summarized, the following:

1. (February 7, 1961) "Mr. Baird testified that he went into the subject of the question of the full cooperation of the secured creditors and that this question had been frequently discussed at both creditors and directors meetings. There was never any indication at any time on behalf of Farmer Bros. Co. by any of their representatives, that they did not intend to cooperate." [Ref. Cert. Rev.; Tr. Rec. p. 120, lines 15-21].

2. (January 10, 1963) At a meeting of the Creditors' Committee, discussions were had regarding commitments of secured creditors, and the contact of junior lienholders. It was discussed, generally that a Chapter XI proceeding affects and is binding upon all unsecured creditors if a majority in number and amount of creditors vote in favor of the Plan and consent to the Plan, but that these consents do not bind junior lien holders unless they consent.

"Mr. Heistand, [Appellant's Credit Manager] to the best of Mr. Baird's memory, did not say anything." [Ref. Cert. Rev.; Tr. Rec. pp. 121-122].

3. (Meetings of Creditors' Committee during 1961, 1962, 1963) Mr. Cummins, called by Appellee, testified, ". . . that it was discussed at those meetings how the question of payment of Farmer Bros. Co.'s secured claim would be handled under the Plan of Arrangement and at no time did he hear any objection from any representative of Farmer Bros. Co. as to the nature of the Plan of

Arrangement that was being proposed.” [Ref. Cert. Rev.; Tr. Rec. p. 130, lines 26-31].

4. Mr. Tongue testified generally, “That at every one of those meetings where such matters were discussed, it was no more than normal that the Committee would be considering the effect of the necessity of maintaining the secured properties together as a package for the general benefit of unsecured creditors in the long pull, and that those matters were discussed; that a representative of Farmer Bros. Co. was present, Mr. Heistand, but that Mr. Tongue could not recall any comments that were made by him at the time.” [Ref. Cert. Rev.; Tr. Rec. p. 135, lines 10-19].

5. (Undated meetings of Debtor’s Board of Directors). Mr. Baird testified: “No representative of Farmer Bros. Co. at any of these meetings ever stated that Farmer Bros. Co. intended to foreclose. On the contrary on a number of occasions, Mr. Keefe, Mr. Demmett and Mr. Heistand said to Mr. Baird, in the presence of other creditors and other directors, when asked at various times if they would sign an agreement not to foreclose, in sum and substance answered, *‘We will not sign such an agreement. However, we haven’t taken any action so far and we intend to co-operate as much as we can in the future’*, or words to that effect.” [Ref. Cert. Rev.; Tr. Rec. p. 120, lines 2-11]. (Italics supplied).

6. (Undated Meetings, Debtor’s Board of Directors and Creditors’ Committee) Mr. Baird testified: “At those meetings when a representative of Farmer Bros. Co. was present, the question of the

cooperation of the principal creditors carrying out the intent and purpose of the Plan of Arrangement was discussed—in other words, that there would be no foreclosure.” [Ref. Cert. Rev.; Tr. Rec. p. 121, lines 24-28].

It was error by the lower court to apply an estoppel on such evidence.

**A. Estoppel Cannot Be Based Upon Silence,
Absent a Duty to Speak.**

The foregoing summary of the evidence upon which Findings XX and XXI were based (except for Appellant’s express refusals to agree not to foreclose), shows that if Appellee relied upon anything, it relied upon Appellant’s inaction, or silence. However, before estoppel can be based upon silence, there must be shown a duty to speak. Thus, in *Johnson v. Johnson*, 197 Cal. App. 2d 326 (1960), where defendant made valuable improvements to a parcel of property therefore partitioned to plaintiff, the court said, in refusing to find an executed oral license in defendant on the basis of estoppel *in pais*, at page 330:

“Generally speaking, ‘“mere silence on the part of a party will not create an estoppel unless he was under some obligation to speak, and a party invoking such estoppel must show that it was the duty of the other to speak, and that he has not only been induced to act by reason of such silence, but that the other had reasonable cause to believe that he would so act”’ (*Arp v. Blake*, 78 Cal. App. 713, 722 [3] [248 P. 750] (1926).)”

As a secured creditor, Appellant had no right to speak in the arrangement of Appellee’s affairs. It had

no voice of approbation or disapprobation. In *Pride of Virginia Poultry Corporation v. Rocco Feeds, Inc.* 270 F. 2d 852 (C.A. 4th, 1959), it is said, page 855:

“Even if the very definition of ‘creditors’ and ‘claims’ in Ch. XI did not make it clear that only unsecured creditors may vote on a plan of arrangement, it is settled by the cases that only claims of unsecured creditors may be ‘affected’ by an arrangement, and sec.362 of the Act provides that only creditors affected by the plan may accept it.”

It is crucial to an understanding of Appellant’s position that it be remembered that it was not merely a secured creditor—it was one of five major *unsecured* creditors of Appellee as well [Ref. Cert. Rev.; Tr. Rec. p. 116, lines 2-14]. As a major, unsecured creditor Appellant had every right to attend creditors’ meetings and otherwise participate in the affairs of the debtor. The latent vice of the foregoing Findings of Fact is, however, that it is implicit therein that the lower court drew the inference that Appellant was at all times acting in its capacity both as a secured and unsecured creditor. Even as a secured creditor, it must be supposed that Appellant was more interested in what the Amended Plan said than what was said about it, and it did not, and does not, on its face, purport to affect Appellant’s security or impair its ability to foreclose other than by requiring prior court approval. [Am. Plan, Par. XIII; Rec. Tr. p. 14] What does it say which would cause Appellant alarm?

If conduct sufficient for an estoppel can be predicated upon these facts, it is submitted that in every Chapter XI proceeding, a creditor who is both secured

and unsecured would be compelled to act at its peril when exercising its rights as an unsecured creditor, subjecting itself to great risk as a secured creditor by any participation whatsoever in the affairs of the debtor under arrangement.

**B. Estoppel Cannot Be Based Upon Promises
Concerning the Future.**

Secondly, the acts and conduct upon Appellant's part obviously related to the future, that is, prospective conduct. In other words, whatever Appellant did must, in summation, amount to the representation: "Regardless of what may transpire, I will not seek to foreclose my deed of trust". The Court's attention is invited to what Appellant actually said, ". . . 'we intend to cooperate as much as we can in the future,' or words to that effect." [Ref. Cert. Rev.; Tr. Rec. p. 120, lines 8-10].

The California substantive law is clear to the effect that estoppels *in pais* cannot be predicated upon representations or promises concerning the future. To illustrate, in *Bank of America v. Pac. Ready-Cut Homes*, 122 Cal. App. 554 (1932) a subcontractor assigned his rights to receive progress payments from defendant to the plaintiff bank, to secure an advance. After defendant had inquired of plaintiff whether or not the assignment covered all future progress payments and learned that it did, defendant wrote plaintiff saying (p. 559) ". . . we have made a note on our records and will remit all future payments to you until notified otherwise." Thereafter, plaintiff made further advances to the subcontractor. When it sued defendant for the balance of the subcontract price and de-

defendant asserted a setoff against the subcontractor, it was claimed that the defendant was estopped but the court said, page 562:

“It is the general rule that in order to work out estoppel by representations, the representations must be as to facts either past or present and not as to promises concerning the future. Promises as to future conduct or performance, if binding at all, must be binding as contracts. . . .” (Citations omitted).

(As in accord, see also *Hosner v. Skelly*, 72 Cal. App. 2d 457, 463 (1946); *Berverdor, Inc. v. Salyer Farms*, 97 Cal. App. 2d 459, 464 (1950)).

The same rule is applicable and should have been applied her. We pointed out, *supra*, page 25, that one of the basic elements of estoppel is the requirement that the representation be made by one, “having knowledge of the facts”. The “facts” of which Appellant would have had to have knowledge was whether or not, at some future time, it would seek permission to foreclose its deed of trust. Obviously, any decision in this regard would be dictated by the future course of events. Manifestly, the cause of Appellant’s application to foreclose its trust deed was the breach of Paragraph XI, Article X of the Amended Plan providing for payment of interest on junior encumbrances in monthly installments. Clearly, whether the provision of the Amended Plan would be abided by was something over which Appellant had no control. Other facts could have as easily intervened which might have compelled Appellant to apply to the court for leave to foreclose to protect its security. For this reason, the rule that es-

toppels are not predicated upon promises as to the future is a salutary one, and should have been applied on the facts.

C. "Representations" Not Such to Justify
Reliance by Prudent Man.

The "representations" attributed to Appellant were plainly not such as would justify reliance thereon by a prudent man. In *General Motors Accept. Corp. v. Gandy*, 200 Cal. 284 (1927), at pages 297, 298 the California Supreme Court said:

"As a rule, manifestly, an equitable estoppel must be proved by oral testimony, hence the rule that certainty is essential to all estoppels is peculiarly applicable to estoppels *in pais*. The estoppel must be so established as to leave nothing to surmise or questionable inference. In other words, the representation, whether express or implied from the conduct of the party against whom the estoppel is sought to be invoked must be such as to justify a prudent man in acting upon it, and must be plain and not doubtful."

In view of Appellant's *express* refusal to agree not to foreclose, we cannot see how it can be contended that Appellant's conduct amounted to an *implied* agreement that it would not foreclose. In this regard the observation of the court in *Young v. Bank of California*, 88 Cal. App. 2d 184 (1948), is particularly apposite, when it is said, page 186:

"There can be no estoppel when the party against whom the defense is invoked has plainly caused the other to believe the 'particular thing' relied on is not true and that he acts at his own risk."

We further cannot see how it could be said by any average, intelligent human being that Appellant's conduct left "nothing to surmise or questionable inference" and was "plain and not doubtful". This is especially true when the conduct sought to be relied upon extends over a very protracted period of time encompassing the first phases of an ordinary bankruptcy, a Plan of Arrangement that fell through, more ordinary bankruptcy and, finally, an Amended Plan of Arrangement which actually contemplates and does not outlaw foreclosures. Can it be said that there is any evidence in the record which would justify a prudent man in saying, "We are free to do with the service station properties as we choose, for Farmer Bros. Co. has in essence assured us that it will not seek to enforce its trust deed at any time in the future"? The answer is plain, and the question is obviously rhetorical.

**D. No Showing of Detriment or Prejudice to
General Unsecured Creditors.**

Lastly, one of the essential ingredients of equitable estoppel is detriment, prejudice, or change of position on the part of the one asserting the estoppel. This is the fourth "element" of estoppel *in pais* set forth in *Safway Steel Products, Inc. v. Lefever, supra*. Except for the acts of Arden Farms Company and Carnation Company, which lend themselves to separate discussion and are discussed in detail, *infra*, there is absolutely no evidence in the light of the entire record, nor any finding of fact to the effect that Appellee or any general, unsecured creditor, has or has not done a single thing which would inure to its detriment or otherwise result in its injury on account of any conduct herein on Appellant's part. Surely, had Appellant

insisted from the outset that it would foreclose at the earliest possible time, the most that could have been done would be to place Appellee in an ordinary bankruptcy. Instead, the unsecured creditors have gained four years of time while Appellant has gained nothing.

V.

**Finding of Fact XXII Provides No Basis
for Application of Estoppel.**

The only other Finding of Fact upon which an estoppel could be predicated is XXII [Tr. Rec. p. 70] wherein the court found:

“That Carnation Company and Arden Farms Co., substantial creditors herein, each advanced the sum of \$74,950.00 and three other creditors advanced smaller sums, all for the purpose of paying administration expenses, labor claims, tax claims and other claims having priority of payment, in order that the Plan of Arrangement might be approved and in doing so, relied upon the statement by Farmer Bros. Co. that it would abide by the terms of the Plan of Arrangement, and the Court further finds that said creditors would not have advanced this very substantial sum of money in order to complete the Plan of Arrangement had not Farmer Bros. Co. led each of them to believe that it would abide by the terms and conditions of the Plan of Arrangement. The Court further finds that this contribution by Carnation Company, Arden Farms Co. and the three other creditors very substantially benefited the position of Farmer Bros. Co. as a secured and unsecured creditor herein.”

Discussion of this Finding has been reserved for last because it would seem to be the one most likely to be seized upon as supporting the Conclusions of Law and the Order ultimately made denying Appellant leave to foreclose. We will show that it does not.

The historical basis for this Finding lies in these events, heretofore chronicled:

On June 6, 1961, a Petition was filed in the court below under Section 321, Chapter XI of the Bankruptcy Act, proposing a Plan of Arrangement with Appellee's creditors; and, on June 22, 1961, an Order was entered dismissing Chapter XI proceedings and directing that bankruptcy be proceeded with. Ultimately, it was decided to try again to go under Chapter XI by proposing an Amended Plan of Arrangement. During the month of January, 1963, the following events transpired upon which Finding of Fact XXII is based: Appellee's witness Baird, of Carnation Company, testified as follows:

"After the first plan fell because of lack of money, Mr. Tongue, on behalf of Arden Farms and the other creditors, and Mr. Baird on behalf of Carnation Company primarily approached major creditors with various schedules showing what they felt was the amount of money necessary to obtain confirmation of the plan, and asked such creditors to furnish sufficient funds to cause the confirmation of the amended plan of arrangement. Originally, the creditors were discussing a figure of \$150,000.00. Carnation Company and Arden Farms Company deposited with Richard B. Newton \$74,950.00 each. Other contributions were made by Four-S Baking, Dohrmann Hotel Supply, and

Fred E. Keeler, II, to bring it up to the amount of money that it was determined would be necessary to cause consummation of the plan. The amount of money necessary was discussed in the presence of Farmer Bros. Co.'s representatives and they were asked to contribute. Mr. Heistand of Farmer Bros. Co. was asked to contribute a portion of this fund. The contributing creditors felt the greater the participation they had among the creditors, the better it would be. Mr. Heistand replied that his company did not desire to contribute to this fund.

“Mr. Baird further testified that as a part of the contributing creditors' fund, his company felt that the Plan of Arrangement was feasible and it also wanted to be repaid; that there had been discussed various methods of securing this money, but his company wouldn't have advanced this money if it were not possible to confirm the plan of arrangement to be followed by an ultimate consummation of the plan.

“At these meetings when a representative of Farmer Bros. Co. was present, the question of the cooperation of the lien creditors in carrying out the intent and purpose of the plan of arrangement was discussed—in other words, that there would be no foreclosure.

“At a meeting of the creditors' committee held on January 10, 1963, at which Mr. Heistand of Farmer Bros. Co. was present, the question of the necessary commitments from the junior lien holders was discussed. A committee of Mr. Cummins, Mr. Tongue and Mr. Baird was appointed to contact junior lien holders.

“At this last mentioned meeting at which the discussions were had regarding these commitments and the contacting of junior lien holders, Mr. Heistand was present. Mr. Utley [Appellee’s counsel] was present at this meeting, and discussed that generally a Chapter XI proceeding affects and is binding upon all unsecured creditors if a majority in number and amount of creditors vote in favor of the plan and consent to the plan, but that these consents do not bind junior lien holders, unless they consent. Mr. Heistand to the best of Mr. Baird’s memory, did not say anything. Mr. Baird determined from his investigation whether or not to recommend to Carnation Company to advance the \$74,950.00. Mr. Baird contacted Rosemary Ballman, who holds the fourth trust deed and personally talked to her. She said she would not do anything to upset the consummation of the plan. The third trust deed was at that time owned by Mr. Keller, who purchased from the H.Y.C. Bankruptcy in San Francisco, and he felt that the debtor had sufficient action pending in the Bankruptcy Court that he could gamble on sustaining debtor’s position before the Court, so he was not too much worried about the Keller third; and he felt that Farmer Bros. Co. had taken no action and had on so many occasions indicated that it was going to go along with the debtor, he felt that was sufficient.

“Farmer Bros. said it would go along as it had in the past, and it had not attempted to foreclose in the past. Mr. Baird testified that he believed it was Mr. Heistand who was the last one of

Farmer Bros. Co. representatives to make this statement.

“Before the decision was made to advance this fund for the purpose of perfecting the plan of arrangement, Mr. Baird went to his superior, Mr. Hartwick, and discussed it with him. The question of the reliance on Farmer Bros. Co.’s promise to cooperate was raised and the decision was made to advance the funds in reliance upon the facts as he then knew them and presented them to Mr. Hartwick. Mr. Baird testified that he would not have made the recommendations to advance that fund had it not been for the statement which Farmer Bros. had made, indicating that it would cooperate and stand by as it had in the past.” [Ref. Cert. Rev.; Tr. Rec. pp. 120-123].

Mr. Tongue of Arden Farms Company, called by Appellee, testified as follows:

“. . . that on January 17, 1963, he discussed with Mr. Heistand the plans of the contributing creditors to raise the cash to satisfy the preference claims. That Mr. Heistand stated he would have to submit the matter to his company for consideration. That he later had a conversation with Mr. Heistand about the subject matter, and Heistand later called Mr. Tongue to tell him that he did not think his company would contribute cash to the plan. That he later discussed this matter with Mr. Heistand, and Mr. Heistand’s comment at that time was that either he or representatives of his company would be present at the hearing in Court in the ensuing two or three days when the plan was going to be presented for confirmation, and

that if the court accepted the plan the matter would again be reviewed by Farmer Bros. Co. He commented then and had previously commented on a number of occasions that Farmer Bros. had always acted for the best interest of the estate and could see at that time no reason for changing its viewpoint. Up to that time Farmer Bros. Co. had never attempted to foreclose and had made no demands for its money, of which Mr. Tongue was aware.

“That the statements of Mr. Heistand had an influence upon Mr. Tongue’s recommending that his company advance the money for the purpose of paying administration expenses and prior claims that Mr. Baird had testified to; and in making the recommendation to his company, Mr. Tongue stated that he certainly was depending upon a continuance of all of the junior liens, including the Farmer Bros. lien, in order to hold the package together. That Mr. Heistand’s comment was that they had always acted for the best interests of the estate, and Mr. Tongue certainly felt that cooperation on the plan would be in the best interest of the estate, and that he relied upon Mr. Heistand’s statement in recommending advancing the money for the purpose of perfecting the plan. That it would have been a very serious situation to ask his company to put up that sum of money in the face of a possible foreclosure action. Mr. Tongue testified that at the time he recommended that his company advance the money for the purpose of paying administration expenses and prior claims, he believed that he would receive full cooperation

from Farmer Bros. Co. in carrying out the terms of the plan, and that he would not have recommended that his company advance the funds had he not so believed; that Mr. Heistand's attitude at the time influenced him in making the recommendations which he made to his company to advance the funds." [Ref. Cert. Rev.; Tr. Rec. pp. 135-136].

The foregoing is the only evidence which would support the Finding that before Carnation and Arden advanced money to confirm the [Amended] Plan, Appellant "... led each of them to believe that it would abide by the terms and conditions of the [Amended] Plan of Arrangement."

**A. Appellant Has, Appellee Has Not
Abided by the Plan.**

The Amended Plan of Arrangement [Tr. Rec. pp. 3-19] does not prohibit foreclosures. Likewise, no one, including Carnation and Arden, asked Appellant to waive its right to foreclose or to forebear from foreclosing and, in fact, as detailed *supra*, Appellant had expressly refused to agree to such on several occasions. If Appellant led anyone to believe that it would abide by the terms and conditions of the Amended Plan, under the express provisions thereof, it could only have led them to believe that it would seek approval of the court prior to any foreclosure action. It did exactly that.

Appellant's conduct in this regard should not be minimized, for the Order Confirming and Approving Plan of Arrangement as Amended [Tr. Rec. pp. 20-29] does not on its face purport to enjoin foreclosures

and it is otherwise unsettled as to whether or not, absent an injunction, leave of court need otherwise be sought. In *Collier on Bankruptcy*, 14th Ed., Vol. 8, p. 269, it is said:

“Whether or not a secured creditor can foreclose on this security without the consent of the court is a question to which the language of §314 does not specifically address itself. Section 314 talks in terms of staying or enjoining any foreclosure proceeding ‘upon notice and for cause shown,’ and as has been pointed out above, the relief provided for therein is not automatic. This factor, coupled with the fact that Chapter XI proceedings are not designed to deal with secured claims but only with unsecured creditors, and with the fact that Chapter XI contains no provision similar to that of Chapter X to the effect that approval of the petition shall operate as a stay of any act to enforce a lien could arguably be said to support the proposition that a secured creditor need not procure the consent of the court before proceeding to enforce a security interest.”

On the other hand, while Appellant hued to the provisions of the Amended Plan, Appellee did not. We have pointed out heretofore that the Amended Plan provided for payments in *monthly installments* of the interest on junior liens and that this provision had been breached. It would seem implicit in the reasoning behind the doctrine of equitable estoppel that any false representations be made to secure some gain or advantage. There is absolutely no evidence that Appellant, as a secured creditor, has received any benefit whatsoever by the advance made by Arden and Carnation or

from the confirmation of the Amended Plan. It stands, in reality in the same position in which it stood when it received its note and deed of trust nearly a decade ago, with no prospects of relief in sight save for the action we strenuously insist this Court take.

**B. Estoppel Inapplicable Absent Detriment
to Arden or Carnation.**

There is no evidence in the entire record to show how Carnation or Arden would be prejudiced or otherwise injured if Appellant be permitted to foreclose. Although both parties advanced substantial sums to secure confirmation of the Amended Plan, neither will be injured unless Appellee can demonstrate that there is some Finding of Fact, or evidence in the record, tending to show that they will not be repaid. There is no such evidence, hence no such finding.

Both of these parties, at the time of the hearing on Appellant's Petition for Leave to Enforce Trust Deed had already received substantial repayment of their investment. Carnation's Mr. Baird testified, ". . . that of the advance of \$74,950.00, his company had been repaid approximately one-half of the sum advanced" [Ref. Cert. Rev.; Tr. Rec. p. 124, lines 17-19], while Arden's Mr. Tongue testified, somewhat ambiguously, that Arden, ". . . has received back its pro rata share of the overage funds that had been supplied, and has received some payments from the trust deed it took as security on a piece of property, but there is still a substantial amount of that owing to Arden Farms." [Ref. Cert. Rev.; Tr. Rec. p. 134, lines 9-13]. It should be pointed out, parenthetically, that Arden holds no trust deed on any property secured by Appellant's deed of trust.

Most important is that the ultimate repayment of such advances is not secured by the parcels encumbered by Appellant's deed of trust and neither the current source of such repayment as has been made nor the ultimate source thereof comes from the income of Appellant's secured properties. All of such income is presently assigned to, and is being collected by United California Bank amortizing a secured note due and payable to the bank in full on or before September 1, 1970. Secondly as pointed out before, the Court expressly found [Find. of Fact XVI, Tr. Rec. p. 68]:

“That there are funds in substantial amounts coming into debtor's estate, other than from rentals of the various service stations described in Farmer Bros. Co.'s Petition, which are and will be available for the execution of the Plan of Arrangement. That there are no certificates of indebtedness to be paid.”

From the foregoing, how can it be said that Arden or Carnation, or any other creditor that advanced funds to secure confirmation of the Amended Plan, will suffer any detriment if Appellant be permitted to foreclose? In fact, it would seem that if Appellant be permitted to foreclose, any funds available for payment of current interest on junior liens under Paragraph XI, Article X of the Amended Plan, heretofore quoted, in the sum of up to \$18,492.00 per annum, would become free to be applied in other places.

Certificate.

I certify that, in connection with the presentation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

EDWARD M. LYNCH

No. 20495

FEB 14 1967

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

FARMER BROS. CO.,

Appellant,

vs.

HUDDLE ENTERPRISES, INC.,

Appellee.

APPELLEE'S BRIEF.

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FILED

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No. 20495

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

FARMER BROS. CO.,

Appellant,

vs.

HUDDLE ENTERPRISES, INC.,

Appellee.

APPELLEE'S BRIEF.

Nature of Appeal.

This is an appeal by Farmer Bros. Co. from an Order of the United States District Court sustaining the Referee's Findings and Order denying Appellant's application for authority to foreclose its deed of trust, without prejudice to the right of Farmer Bros. Co. to apply for similar relief in the event the situation in the bankruptcy proceedings should materially change, which might jeopardize the security held by Farmer Bros. Co., and further ordering the retention of jurisdiction by the Court for the purpose of passing upon the rights of Farmer Bros. Co. to foreclose should an application be made therefor in the future.

Statement of the Case.

On February 1, 1958, Farmer Bros. Co. received from Paul S. and Ruth Cummins, who were then husband and wife and who were the owners of the

property hereinafter mentioned, a promissory note executed by Paul S. and Ruth Cummins in the principal sum of \$200,000.00, and an addition dated June 5, 1958 in the sum of \$25,000.00 also executed by Mr. and Mrs. Cummins; each of said notes being secured by deeds of trust dated February 1, 1958 on 18 parcels of real estate. One parcel was situated in Stanislaus County, California; two parcels in Fresno County, California, and the other parcels all located in Los Angeles County. [See Exhibit attached to Application of Farmer Bros. Co.] Upon each of said parcels there was located a service station, which had been leased and was being operated by the Texas Company; the expiration date on all of said leases was September 30, 1970.

Since the execution of said deeds of trust and note, one of the 18 service stations has recently ceased operation due to a condemnation proceeding by the City of Los Angeles upon a portion of said parcel, from which the estate has received a settlement of \$28,100.00. This amount has, since the hearing herein, been received and applied upon the indebtedness due the first lien holder, United California Bank, thereby reducing the bank's secured claim by \$28,100.00.

The interest upon the secured indebtedness due Farmer Bros. Co. was paid until June 20, 1960, but since said date, the interest has accrued and the total amount of principal and interest due as of October 1, 1964, was \$297,633.83. The monthly interest upon this obligation is \$1,036.30.

The above secured indebtedness due Farmer Bros. Co. is subject to a first deed of trust upon the same property, in favor of the United California Bank, to

secure the payment of an indebtedness which was originally in the principal sum of \$1,000,000.00 at 4% interest per annum, payable at the rate of \$7,400.00 per month, the full amount due and payable on or before September 1, 1970. The monthly payments are being paid from rentals received from the Texas Company. The balance due upon this first trust deed in favor of the bank was the sum of \$515,730.41 on October 13, 1964, before the \$28,100.00 received in the condemnation settlement was applied; and, of course, there have been the usual monthly payments since October, 1964.

There is a third trust deed upon this property in the sum of \$120,000.00, and there was pending a proceeding before the Referee involving this lien at the time of the hearing herein, but which has since been compromised in a manner which will not involve a foreclosure.

There is a fourth trust deed of about \$17,000.00.

Huddle Enterprises of California, which later changed its name to Huddle Enterprises, Inc., was incorporated on February 6, 1959 for the purpose of becoming the assignee of Paul S. and Ruth Cummins. This corporation was organized by the larger creditors of Paul S. and Ruth Cummins, which included Farmer Bros. Co. The first meeting of the organizers and directors was held February 9, 1959, and while no one from Farmer Bros. Co. was present at the meeting, Frank T. Murphy of Farmer Bros. Co. was elected a director. He accepted the office and attended the meeting of the board of directors held on February 26, 1959 at the Mayfair Hotel in Los Angeles, and subsequent meetings.

At the meeting of the board of directors held on February 13, 1959, the assignment for the benefit of creditors executed by Paul S. and Ruth Cummins and their various corporations was accepted by Huddle Enterprises, Inc., and except for the time a trustee in bankruptcy was in possession of the assets, Huddle Enterprises, Inc. has been in possession and control thereof, as assignee of Paul S. and Ruth Cummins. The property of Mr. and Mrs. Cummins not only consisted of service stations and garages, but they operated and subsequently assigned to Huddle Enterprises, Inc., numerous restaurants in and about Los Angeles, California, which may explain why some of the creditors herein named were so interested and so involved in the financial affairs of Paul S. and Ruth Cummins.

Subsequent to the above mentioned meetings of the board of directors of Huddle Enterprises, Inc., there were numerous other such meetings held which were attended by some representative of Farmer Bros. Co., who from the date of the organization of the debtor company, had one of its employees upon the board of directors of debtor.

There was a meeting of the board of directors of Huddle Enterprises, Inc., held at the Carnation Building on February 7, 1961, and Mr. Keefe of Farmer Bros. Co., who was then a director, attended.

Huddle Enterprises, Inc. was, at this time, in serious financial difficulty as the County of Los Angeles had noticed a tax sale for the following day of Huddle's property, and at the last mentioned meeting, there was an extensive discussion of the financial affairs and status of the debtor's estate; of the government liens, both federal and county, and the fact of this imminent

tax sale and also of defaults in rents and of the default on Farmer Bros. Co.'s trust deed.

The writer of this brief was at this meeting, upon request of some of the directors of Huddle Enterprises, Inc., to advise them with reference to questions arising about bankruptcy, including Chapter proceedings.

An involuntary petition in bankruptcy was filed the following morning, and a receiver was appointed in time to stop the tax sale by the county.

After bankruptcy and after adjudication, a creditors' committee was appointed and approved by the Referee. Mr. Keefe of Farmer Bros. Co. was appointed upon this committee, and accepted. He acted in the capacity, not only as a director of the debtor, but also as one of the creditors' committee.

There were many meetings of the creditors' committee held at the Carnation Building and elsewhere, where the terms and conditions of the Plan of Arrangement, as finally approved by the Court, were extensively discussed, formulated, modified and finally approved by the creditors' committee.

The advisability of retaining the service station properties because of the valuable leases thereon was repeatedly mentioned in the discussions of the creditors' committee, and the fact that the bank's loan would soon be reduced to a figure where a new loan could be obtained sufficient to pay all secured creditors, was also discussed. It was often mentioned that in order to retain this property, it would be necessary for the junior lien holders to refrain from foreclosures and to cooperate with the creditors' committee in their effort to work out a successful Plan of Arrangement which

could ultimately benefit unsecured creditors through timely sales of the service station properties.

The representative of Farmer Bros. Co. serving both as a director of the debtor corporation and as a member of the creditors' committee participated in these meetings, and at no time raised any objections to the proposed Plan of Arrangement, stated that Farmer Bros. Co. had cooperated in the past, and he saw no reason why it should not continue to do so.

Farmer Bros. Co. contributed to a fund which was necessary to cover expenses in formulating the Plan of Arrangement.

The Plan of Arrangement, as amended, was approved by the Court on February 18, 1964, and on August 17, 1964, Farmer Bros. Co. filed its Application with the Court for authority to foreclose.

The debtor, in its Answer, alleged and set forth the participation of Farmer Bros. Co. in securing the assignment for the benefit of creditors and the incorporation of Huddle Enterprises, Inc. to act as assignee, as well as its participation in perfecting the Plan of Arrangement.

Debtor also plead estoppel.

The case was tried, and resulted in the Findings of Fact, Conclusions of Law and Order here appealed from.

Evidence.

The summary of the evidence set forth in the Referee's Certificate Upon Review is in as concise form as it could be made and cover the issues. We therefore adopt the Referee's Summary of the Evidence without the necessity of repetition.

We shall review the law of the case, under the evidence, before answering appellant's brief.

Law of the Case.

We have no serious dispute with the contention of Farmer Bros. Co. that in the absence of the consent of a secured creditor or secured creditors, or of acts and conduct amounting to estoppel, the secured claim of such creditor or creditors is not affected by a Plan of Arrangement.

As stated by counsel for Farmer Bros. Co. in their Points and Authorities, the Court may, upon notice and for cause shown, in its discretion enjoin or stay until final decree, any action or the commencement or continuation of any proceeding to enforce any lien upon the property of the debtor. This may be done not only to facilitate the primary purpose of the debtor proceedings, but more often the restraint is granted where there appears to be a clear equity in the property pending the acceptance or rejection of the Plan of Arrangement, for the very good reason that if the Plan fails of approval and adjudication in bankruptcy is ordered, the trustee will then have an opportunity to sell the encumbered property for a price sufficient to pay off the liens and still have a surplus for general unsecured creditors. The court also, at the time of entering the final decree under Section 372, may make such provision “. . . by way of injunction or otherwise, as may be equitable.”

of the directors of debtor on some of the government's tax claims was ever present.

Under the above recited facts and under the Findings of the Referee, which were fully warranted by the evidence, Farmer Bros. Co. was estopped from later contending for its right to foreclose.

Huddle Enterprises, Inc. was as much the child of Farmer Bros. Co. as it was of the Carnation Company or Arden Farms Co. All three of these creditors, as well as others, had extended themselves obviously through the coffee and milk business they were getting from the restaurants of Mr. and Mrs. Cummins. They had worked harmoniously with all other creditors in an effort to realize the most out of the business for the benefit of all until after the Carnation Company and Arden Farms Co. together with other creditors, had advanced a very large sum of money to pay certain claims which materially benefited Farmer Bros. Co., and until after the Plan had been approved, and then, Farmer Bros. Co. made its first complaint about the non-payment of its interest and requested permission of the Court to foreclose. By the use of the funds advanced to pay all tax claims, there was no longer a question remaining as to the liability of a director of the debtor corporation to pay such claims.

The acts, conduct and statements of Farmer Bros Co. led both Mr. Baird of the Carnation Company and Mr. Tongue of Arden Farms Co. to believe that Farmer Bros. Co. would cooperate as it had in the past, and would not foreclose; otherwise, neither of these gentlemen would have recommended the advance by each of their companies of the sum of \$74,950.00 in order to pay prior tax claims and administration expenses so

that the Plan of Arrangement could be approved. Even as late as the director's meeting of July 16, 1964, after the Plan of Arrangement had been approved, Mr. St. John, in answer to the direct question by Mr. Baird, stated that Farmer Bros. Co. did not intend to foreclose. [See Referee's Certificate Upon Review, p. 23, lines 20-30, p. 119 of Record]. It will be seen from the evidence that the statements made by the various representatives of Farmers Bros. Co. who were on the board of directors of Huddle Enterprises, Inc. and on the creditors' committee from time to time made untrue and misleading statements, which were intended and calculated to mislead and deceive and which did that very thing.

Duty to Speak.

Under such circumstances, where large sums of money were being advanced by the other creditors on the strength of its statements and upon its past and present conduct, Farmer Bros. Co. owed a duty to speak, and to speak frankly and truthfully, especially where it was as much a part of the debtor corporation as was any other creditor—and where its representative held a fiduciary position in the debtor corporation.

“One who is embarking with others in a common enterprise to use common property for the common benefit, at common expense owes to the others the duty, if he proposes or intends to reserve a part of the benefit to himself exclusively, to inform the others fully in regard to it. If he does not, he will be estopped to assert his claim after the others have incurred the expense.”

Verdugo Canon Water Co. v. Verdugo, 152 Cal. 655 at 682.

An estoppel may arise from silence where there is a duty to speak.

People v. Ocean Shore Railroad, 32 Cal. 2d 406 at 421 No. (19).

Estoppel.

Section 1962(3) of the Code of Civil Procedure of the State of California says:

“Whenever a party has, by his own declaration, act, or omission, intentionally and deliberately led another to believe a particular thing true, and to act upon such belief, he cannot, in any litigation arising out of such declaration, act, or omission, be permitted to falsify it;”

In defining estoppel *in pais*, 18 Cal. Jur. 2d, page 404 says:

“Estoppel in pais has been defined as a right arising from an act, admission, or conduct which has induced a change of position in accordance with the real or apparent intention of the party against whom the estoppel is asserted. Again, it has been said that estoppel may be defined as a bar by which a person is precluded from denying a fact in consequence of his own previous action which has led another to so conduct himself that if the truth is established the other will suffer. The doctrine of estoppel in pais is well stated in Code of Civil Procedure §1962 subdivision 3, which embraces in its definition of estoppel all the necessary elements. The section provides that when a party, by his own declaration, act, or omission, has intentionally and deliberately led another to believe a particular thing to be true and to act on such be-

lief, he cannot, in any litigation arising out of such declaration, act, or omission, be permitted to falsify it."

The Court in commenting upon the provisions of §1962(3) of the Code of Civil Procedure, in the case of *A. Farnell Blair Co. v. Hollywood State Bank*, 102 Cal. App. 2d 418, at 434, says after quoting the above section:

"An estoppel necessarily results when this factual basis has been established."

The court in *McDannels v. General Insurance Co.*, 1 Cal. App. 2d 454 at 459, says:

"To constitute this sort of estoppel the act of the party against whom the estoppel is sought must have gained some advantage for himself or produced some disadvantage to another; or the person invoking the estoppel must have been induced to change his position, or by reason thereof the rights of other parties must have intervened. (10 Cal. Jur. 645.) The terms 'waiver' and 'estoppel in pais' are sometimes employed indiscriminately; but strictly speaking, the former is used to designate the act or the consequence of the act of one person only, while the latter is applicable where one's conduct has induced another to take such a position that he will be injured if the first be permitted to repudiate his acts."

In *Dool v. First National Bank of Calexico*, 209 Cal. 717 at 724, the court quotes the language of Subdivision 3, Section 1962, Code of Civil Procedure, in support of its upholding the plea of estoppel and quotes,

with approval from *Parker v. Funk*, 185 Cal. 347 at 352, as follows:

“The doctrine of estoppel in pais proceeds upon the theory that the party estopped has by his declarations or conduct misled another to his prejudice, so that it would be a fraud upon the latter to allow the true state of facts to be proved.” (See *American Nat. Bank v. Sommerville*, 191 Cal. 364, 372 [216 Pac. 376]; *Stanford v. Trombly*, 181 Cal. 372, 378 [186 Pac. 599].)

Or, as again stated: ‘If a person by his conduct induces another to believe in the existence of a particular state of facts, and the other acts thereon to his prejudice, the former is estopped, as against the latter, to deny that that state of facts does in truth exist.’ (21 C.J. 1060, Sec. 2; *Irrigated Valley L. Co. v. Altman*, 57 Cal. App. 413, 428 [207 Pac. 401].)”

See also:

Safeway Steel Products Inc. v. Lefever et al.,
117 Cal. App. 2d 489.

In *City of San Diego v. Cuyamaca Water Co.*, 209 Cal. 105 at 137, the court says:

“The defense of estoppel rests upon the doctrine that a right conceded for the purpose of such defense to exist in a party, he shall not be permitted to assert against another to the latter’s injury because of the existence and proof of certain facts and conditions which would render its assertion inequitable.”

The court in *Davenport v. Stratton*, 24 Cal. 2d 232 at 243, defines estoppel as follows:

“Estoppel may be defined to be a bar by which a man is precluded from denying a fact in consequence of his own previous action which has led another to so conduct himself that, if the truth were established, that other would suffer. (10 Cal. Jur. p. 611.)”

Upon the Theory and Operation of Estoppel.

18 Cal. Jur. 2d, p. 405, §3, says:

“The doctrine of estoppel is based on the theory that the party estopped has by his declarations or conduct misled another to his prejudice, so that it would be a fraud on the latter to allow the true facts to be proved. It is an equitable doctrine that will not be applied against one who is blameless, and rests on the general principle that when one of two innocent persons—that is, persons guiltless of intentional moral wrong—must suffer a loss, it must be borne by the one whose conduct, acts, or omissions rendered the injury possible. The object of the doctrine is protective, and it is limited to saving harmless or making whole the person in whose favor it arises. Its whole office is to protect a person from a loss which, but for the estoppel, he could not escape, and its vital principle is that one who by language or conduct leads another to do what he would not otherwise have done may not subject the other to loss or injury by disappointing the expectations on which he acted.

Estoppel is applied defensively, and operates to prevent a person from taking unfair advantage of another, not to give an unfair advantage. It is always so applied as to promote the ends of justice, being available only for protection, not as a weapon of assault, and in the nature of things its application depends on the particular facts of each case."

The case of *Collins v. Eksoozian*, 61 Cal. App. 184 at 197, holding the defense of estoppel good against plaintiff seeking the forfeiture under a contract of sale under the doctrine of "when one of two innocent persons, that is, persons each guiltless of intentional moral wrong, must suffer a loss, it must be borne by the one of them who by his conduct, acts, or omissions, has rendered the injury possible."

See also:

Little v. Union Oil Co., 73 Cal. App. 612.

See also the law cited by the Referee in his opinion, to wit, 31 Corpus Juris pages 554 and 559.

In *Langdon v. Langdon*, 47 Cal. App. 2d 28, at 31-32, the court said:

"The rule applicable is set forth in *Calistoga Nat. Bk. v. Calistoga V. Co.*, 7 Cal. App. 2d 65, 72 [46 Pac. 2d 246]: 'It is a well established rule of law that when the act or promise of one person causes another in reliance thereon to do or forbear from doing a thing to his detriment, which he would have otherwise performed, the promisor is estopped from taking advantage of the act or omission of the promisee. The violation of such a promise amounts to fraud and estops the promisor from repudiating the agreement on the doctrine

of equitable estoppel.' In *Miles v. Bank of America, etc. Assn.*, 17 Cal. App. 2d 389 [62 Pac. 2d 177], the plaintiff 'was repeatedly assured that if he would be patient and wait, the bank would carry out its agreement.' In holding that the defendant was estopped from setting up the bar of the statute the reviewing court stated: 'Where the delay in commencing action is induced by the conduct of the offending party it cannot be availed of by him as a defense. (*Mitchell v. J. H. Roth & Co.*, 124 Cal. App. 96, 99 [12 Pac. 2d 91].) Nor is it necessary that the promisor shall sign a written agreement to waive the statute of limitations to bar him from subsequently repudiating his agreement. (*Calistoga Nat. Bk. v. Calistoga V. Co.*, supra.) The authorities are uniform to the effect that the conduct of a promisor, or even his silence under certain circumstances, may result in an equitable estoppel. The trial court was justified in holding that the action was not barred."

In the very recent case of *Forman v. Scott*, 231 A.C.A. 377 at 381, the court reaffirms the language in the *Langdon* case, wherein it says:

"It is settled that where the act or promise of one man causes another in reliance thereon to do or forbear to do a thing to his detriment, which he otherwise would have done, the promisor is estopped from taking advantage of the act or omission caused by his own act or promise. (*Langdon v. Langdon* (1941) 47 Cal. App. 2d 28, 31 [117 P. 2d 371]; *Calistoga Nat. Bank v. Calistoga Vineyard Co.*, (1935) 7 Cal. App. 2d 65, 72 [46 P. 2d 246].)"

In the case of *In Re Fleetwood Motel Corporation*, 335 F. 2d 857 at 861-862, the court speaks of the “. . . inherent equity power of the bankruptcy court”, and of “. . . the power of a court of equity to refuse enforcement of a forfeiture clause in appropriate circumstances.”

The Court's Findings, and more particularly Findings Numbers XVII, XIX, XX, XXI, XXII, XXIII and XXIV are supported by the evidence, and warrant the conclusions of law made by the Court and the Order based thereon.

Farmer Bros. Co. Is Adequately Secured.

The Referee was clearly justified in finding under the evidence that the value upon which Farmer Bros. Co. had its security was of the value of \$1,450,000.00.

Mr. Cummins was a competent witness to testify as to the value of the service station properties. He was the owner of these properties. He built the service stations and rented them to Texaco and knew what they had been producing in rentals over the years. He not only was the original owner, but under the Amended Plan of Arrangement, still retains an equitable interest therein. Mr. Cummins' reasoning as to values and the basis for his opinion as to values were sound and well founded. He knew that the City of Los Angeles had paid \$28,100.00 for a 10-foot strip of the property in the condemnation proceedings, and Shell Oil Co. had offered \$85,000.00 for the balance of this divided parcel. He knew of other sales in Los Angeles of similar properties.

It should be apparent from the evidence that a new loan can be obtained on the properties for a sufficient

amount to more than pay all secured indebtedness, and Mr. Baird's testimony shows that efforts are now being made to secure such a loan.

Under the facts of this case where Farmer Bros. Co. were estopped from foreclosing it was not necessary for the Court to keep open the question of the right of Farmer Bros. Co. to again apply for similar relief should an adverse change in the financial condition of Huddle Enterprises, Inc. so justify. It is always wise for the Court to do so, and since such relief is for the benefit and not to the detriment of Farmer Bros. Co., it is in no position to complain. If ever there came a time when the financial condition of Huddle Enterprises, Inc. was such that Farmer Bros. Co. should be permitted to foreclose to protect its secured interest, the debtor corporation could then waive the issue of estoppel.

This Honorable Court, in reviewing the Findings of Fact, Conclusions of Law and Order of the Referee, is governed by the General Order No. 47 of the Supreme Court, which provides:

"Unless otherwise directed in the order of reference the report of a Referee or of a special master shall set forth his findings of fact and conclusions of law, and the judge shall accept his findings of fact unless clearly erroneous. The judge after hearing may adopt the report or may modify it or may reject it in whole or in part or may receive further evidence or may recommit it with instructions."

Our courts have repeatedly held that the court must accept the Findings of the Referee unless clearly erroneous.

Washington v. Houston Lbr. Co., 310 F. 2d 881;
Simon v. Agar, 299 F. 2d 853;

Solomon v. Northwestern State Bank, 327 F. 2d 720;

In Re Berger Steel Co., 327 F. 2d 401;

In Re D.I.A. Sales Corp., 339 F. 2d 175.

Answer to Appellant's Brief Argument No. 1.

We have said before, and we repeat, that in the absence of consent or its equivalent such as estoppel a plan of arrangement only affects the rights of unsecured creditors. In the case here before the court, appellant was both a secured and unsecured creditor. It was more than that. As one of the principal creditors, it participated in the organization of the debtor corporation and at all times had one of its officers or employees upon debtor's board of directors who were responsible for the plan of arrangement after much discussion. Still more, it had a representative upon the creditors committee who participated in many meetings where the plan of arrangement was presented and discussed. Appellant even contributed money to cover costs of preparing a schedule for the plan, and never once did appellant's representative raise his voice against any of the provisions in the plan.

The importance of keeping the service station properties intact, and the bank's loan in good standing by the continued application of the service station rentals, and a reduction of the amount of the bank loan; and then to make a new loan on the service station properties so that junior lien creditors such as appellant could be paid and eventually dividends to the unsecured creditors, was discussed many times. From all appearances and statements of appellant's representative on the Board of Directors and the Creditors Committee, they were in hearty agreement.

If they were not, they never opened their mouth to the contrary. They said in effect that they had cooperated in the past and intended to in the future. Appellant said it would go along as it had in the past, and it had not even asked for payment of interest in the past. Why should they? As the second lien creditor on the service station properties, appellant would be the first to profit after the payment of the balance to the bank, and this would also benefit appellant by placing its unsecured claim in better standing and much closer to a payday or dividend.

Furthermore, it would no longer be possible for the taxing agencies to lay claim against Farmer Bros. Co., or its representative on the Board of Directors of debtor, for failure to pay certain taxes which had been collected by debtor in a trust capacity, such as withholding taxes.

A Director of a Corporation Is a Fiduciary.

We believe that the language of the Supreme Court cannot be overlooked in this case, wherein the Court said in *Pepper v. Litton*, 308 U.S. 295, 60 S. Ct. 238 at 245:

“Its disallowance or subordination may be necessitated by certain cardinal principles of equity jurisprudence. A director is a fiduciary. *Twin-Lick Oil Company v. Marbury*, 91 U.S. 587, 588, 23 L.Ed. 328. So is a dominant or controlling stockholder or group of stockholders. *Southern Pacific Company v. Bogert*, 250 U.S. 483, 492, 39 S.Ct. 533, 537, 63 L.Ed. 1099. Their powers are powers in trust. See *Jackson v. Ludeling*, 21 Wall. 616, 624, 22 L.Ed. 492. Their dealings with the corporation are subjected to rigorous scrutiny and

where any of their contracts or engagements with the corporation is challenged the burden is on the director or stockholder not only to prove the good faith of the transaction but also to show its inherent fairness from the viewpoint of the corporation and those interested therein. *Geddes v. Anaconda Copper Mining Company*, 254 U.S. 590, 599, 41 S. Ct. 209, 212, 65 L.Ed. 425."

We believe, and we urge, that the director of the debtor who was placed there at the insistence of appellant, and who also served upon the creditors' committee, owed sufficient fidelity to debtor, the other directors and creditors to speak his mind and the feelings of appellant if appellant was unwilling to go along with the program discussed, and agreed upon, and formulated with the assistance of appellant, and more especially should have spoken his mind when he knew that certain creditors were advancing large sums of money to complete the plan and pay obligations which benefited appellant, and who obviously would not have done so had they not believed that appellant was going to abide with the program so often discussed.

The fact that the plan related how the bank's lien claim would be liquidated under an already executed agreement does not mean that the debtor was attempting to alter an existing agreement. It, in effect, was saying that it was going to comply with the existing agreement. Also, the fact that the plan relates that certain funds would be earmarked for the payment of interest on junior liens, was not made for the purpose of trying to bind any secured creditor who refused to go along with the contemplated plan, but rather to inform unsecured creditors what certain funds of debtor

would be used for. This, in effect, explains to unsecured creditors that such funds would not be available to them. The plan, as adopted, was as much the handiwork of appellant's representative on the Board and Committee, as it was of any other creditor.

Point II of Appellant's Brief.

Since we agree that the Court in a pending Chapter XI proceeding has the power of restraint in a proper case, we shall not spend further time upon this point.

Retention of the Service Station Properties Is Essential if Unsecured Creditors Are to Receive a Dividend.

The retention of the service station properties is vital to the successful conclusion of the plan of arrangement herein, for the following reasons:

First: These stations are located in valuable locations very acceptable to the Texaco Oil Company, and other big oil companies, as for that matter. We believe the evidence in this case, and particularly the testimony of Paul S. Cummins, shows this. A lease to a major oil company is about as sound security as one could have. The evidence shows that the returns from these leases are paying off the bank loan at a very satisfactory rate, and the security the bank holds is more valuable today by far than it was the day the bank's loan was made. Appellant's second lien is more secure, if for no other reason than by a reduction of almost one half million dollars on the bank's original loan.

Second: These service station properties are sound investments and good producers of revenue, and by retention of them, debtor believes it can secure a new loan to liquidate appellant's secured claim and other se-

cured claims, and have a substantial surplus to pay unsecured creditors. When the new loan is again reduced by rentals from the service stations and from advantageous sales of some of the properties, the debtor will then be getting into a position where it can do more for the unsecured creditors of which appellant is one.

So much cannot be said for the restaurant properties which are already heavily encumbered. The restaurant business is always vulnerable to bankruptcies, as is evidenced by the large claims here in evidence of coffee and dairy products. Certainly such creditors did not become such because of any credit for sales to the service stations. If it had not been for the restaurant business, Mr. Cummins and his property would not be involved in this Chapter proceeding.

We believe it is obvious that if unsecured creditors are benefited in this debtor proceeding, the benefit must come through the operation of the service stations and until they can be liquidated at a satisfactory price. Mr. Tongue of Arden Farms says this was foremost in the discussions of the plan. Without the service station properties, the Plan would be hopeless. All of these points were urged at the committee's discussion of the amended plan.

Effect of Stay Order, and Tender of Interest.

Appellant says it has received no interest. We do not believe appellant will dispute the fact that debtor tendered it a cashier's check for the interest due on the date of the hearing herein, and that it is still holding this check uncashed. The record shows that the tender was made.

Appellant is not injured. Its security position is constantly getting better with each monthly payment to the bank on the first lien, plus the constant increase in property values, and if it is in need of cash, there is nothing to prevent it from cashing the cashier's check which is in its possession.

Appellant is not injured where it has a valid agreement to be paid interest, the rate of which was fixed by it, for the use of its money, and where it has adequate security for the payment of the full debt.

Basis for Estoppel — Silence.

Appellant says that estoppel cannot be based upon silence, absent a duty to speak. If Appellant did not have a duty to speak under the facts of this case, then it is difficult to imagine a case which would require a plain duty to speak.

Appellant attempts to picture itself as a poor, down-trodden, secured and unsecured creditor who is being pushed around. It must be remembered, however, that Appellant here had its secured claim, and it was in existence before it, in conjunction with other creditors, decided upon an assignment for the benefit of creditors and it, along with these other creditors, was responsible for the creation of the debtor corporation for the very purpose of becoming an assignee in this case. Its selected representative was upon the Board of Directors of debtor, and subsequently upon the creditors committee, and it had as much to do with the formulation and approval of the amended plan of arrangement which was ultimately approved by the court as any other creditor who was upon debtor's Board of Directors, or upon the creditors committee.

It must also be remembered that this debtor corporation, operated by a board of directors of which a representative of Appellant was one, got the debtor corporation into financial difficulty—this is shown by the plan of arrangement itself, and we have here a representative of debtor making certain representations to unsecured creditors in this case through the plan of arrangement, which he was as much instrumental in creating as any other member on the board. Now that the plan which appellant's representative helped prepare and present to the Court has been approved, appellant says it is injured thereby.

Under the equitable theory of bankruptcy jurisprudence, and under the facts, unsecured creditors in this classification might very well be in a sound position to ask for subordination of the secured claim of Farmer Bros. Co. until unsecured claims of said creditors were paid.

See quotation hereinabove in *Verdugo Canyon Water Co. v. Verdugo*, 152 Cal. 655, and *Pepper v. Litton*, 308 U.S. 295, 60 S. Ct. 238 at 245.

Estoppel Based Upon Promises Concerning the Future.

Upon this point, Appellant cites and quotes from *The Bank of America v. Pacific Ready-Cut Homes*, 122 Cal. App. 554 at 562. It will not be overlooked that in this quotation, the court refers to it as the "general rule", but there are certain exceptions and determinations which are governed by the facts in the particular case.

19 Am. Jur. §53, page 657, states:

"The broad rule stated in the preceding section to the effect that a promise to do or not to do

something in the future does not work an estoppel must be qualified, since there are numerous cases in which an estoppel has been predicated on promises or assurances as to future conduct. The doctrine of 'promissory estoppel' is by no means new, although the name has been adopted only in comparatively recent years. According to that doctrine, an estoppel may arise from the making of a promise, even though without consideration, if it was intended that the promise should be relied upon and in fact it was relied upon, and a refusal to enforce it would be virtually to sanction the perpetration of fraud or would result in other injustice. Promissory estoppel is sometimes spoken of as a species of consideration or as a substitute for, or the equivalent of, consideration, but the basis of the doctrine is not so much one of contract with a substitute for consideration, as an application of the general principle of estoppel, since the estoppel may arise although the change of position of the promisee was not in any way an inducement to the promise and was not regarded by the parties as any consideration therefor.

The doctrine of promissory estoppel is most widely recognized and most frequently applied in cases of promises or representations as to an intended abandonment of existing rights. Some courts have even stated that these are the only cases in which promises as to the future may be the basis of an estoppel. The better-considered statements of the doctrine, however, do not contain this limitation, and the courts have actually applied the doctrine in numerous instances which could not fairly be said to involve an abandonment of an existing right."

In the case of *Calistoga National Bank v. Calistoga Vineyard Company*, 7 Cal. App. 2d 65 at page 71, the court said:

“The court erred in sustaining objections to the effort on the part of the defendants to prove their affirmative defense of equitable estoppel. As a counterclaim they alleged they were entitled to a credit of \$850 on the balance for which they had been sued on their promissory note. It was also alleged that the payment of the forged checks had been promptly called to the attention of the bank and that it waived the provisions of section 340, subdivision 3, of the Code of Civil Procedure, by then agreeing to credit on their note the sum of these forged checks *when the note was paid*. This pleading properly raised the issue regarding the alleged waiver of the statute of limitations, which the defendants were entitled to prove, if possible, as an offset to the balance of the note which the plaintiff claims was due.” (Emphasis ours.)

In *Banning v. Kreiter*, 153 Cal. 33, it is said:

“While, generally, a representation to raise an estoppel, where the negotiations have ended in a contract, must relate to an existing fact, and not be a mere expression of opinion or a promise of future performance, a well-recognized exception to the rule exists where the statement relates to an intended abandonment of an existing right and is made to influence others, and they have been influenced by it.”

See also:

Wade v. Markwell & Co., 118 Cal. App. 2d 410.

In the case of *Banco Mercantil v. Sauls, Inc.*, 140 Cal. App. 2d 316, at page 323, the court said:

“The first essential may be established either by proof of actual misrepresentation or by proof of careless and culpable conduct resulting in the deception of the party entitled to claim the estoppel.”

In the case of *Parke v. Franciscus*, 194 Cal. 284, at page 297, it is said:

“It is well settled that negligence, that is, careless and culpable conduct is as matter of law equivalent to an intent to deceive and will satisfy the element of fraud necessary to an estoppel.”

In the case of *Safway Steel Products v. Lefever*, 117 Cal. App. 2d 489, at page 489, the court said:

“An estoppel may arise although there was no designed fraud on the part of the person sought to be estopped.”

In the case of *Seymour v. Oelrichs*, 156 Cal. 782, at page 784, the court said:

“A representation of a future intention absolute in form, deliberately made for the purpose of influencing the conduct of the other party, and acted upon by him, is generally the source of a right, and may amount to a contract enforceable as such by a court of equity.”

Whether the actions, conduct and statement of Appellant be called a promise, an agreement of forbearance, or a waiver of a right, or were made to influence the other parties, it nevertheless was estopped under the facts in this case in its attempt to upset the plan of arrangement, which it helped formulate and presented

to creditors, which it in conjunction with other director-creditors of the debtor corporation, created.

There was also a consideration running to Appellant by the payment of tax claims, which if not paid by the debtor, would have been a liability of Appellant's representative upon the board of directors of debtor, such as withholding taxes which accumulated during the operation by debtor.

Findings of Referee.

There has been an attack made upon certain Findings of the Referee. We do not believe it necessary to belabor this question, since there is evidence clearly supporting all of the Findings made by the Referee, and unless said Findings are clearly erroneous, this Court is bound thereby under General Order 47 of the Supreme Court.

Violation of Plan of Arrangement.

Appellant contends that Appellee has not abided by the plan of arrangement. We have heretofore mentioned in this brief that Appellant holds a check for interest paid it under the plan which it has failed to cash. Also, Mr. Baird testified with respect to his efforts with Appellant to come to an agreement upon the payment of the interest, and Mr. Baird also said that he asked Mr. St. John at the last meeting of the board of directors about rumors which he had heard, that Farmer Bros. Co. intended to endeavor to foreclose upon their secured indebtedness, and that Mr. St. John as late as July, 1964, long after the approval of the plan, stated that they did not intend to foreclose. Furthermore, may we repeat that Appellant approached this subject as

though it was not in reality a part of the debtor. Its representative upon the board of directors and upon the creditors committee had as much to say about the conduct of the debtor after the approval of the plan as any other member of the board of directors or officers of the debtor corporation.

In conclusion, may we say that the estoppel is not only applicable in favor of Arden Farms Co. and Carnation Company, but in favor of every other creditor who became such after the assignment for the benefit of creditors and after the Incorporation of the debtor. Many creditors had raised substantial sums of money to make possible the confirmation of the plan, which a representative of appellant helped formulate and voted for. They certainly would suffer a detriment where any proceeding was had which might endanger the repayment of their money or their claims.

We respectfully submit that the Judgment and Findings of the Referee and of the United States District Court should be sustained.

Respectfully submitted,

UTLEY & HOUCK,

By ERNEST R. UTLEY,

Counsel for Debtor.

Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those Rules.

ERNEST R. UTLEY

No. 20495

IN THE

FEB 14 1967

United States Court of Appeals

FOR THE NINTH CIRCUIT

FARMER BROS. CO.,

Appellant,

vs.

HUDDLE ENTERPRISES, INC.,

Appellee.

Upon Appeal From No. 121,094-MC in the United States
District Court, Southern District of California, Central
Division.

APPELLANT'S REPLY BRIEF.

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No. 20495

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District Court, Southern District of California, Central
Division.

APPELLANT'S REPLY BRIEF.

I.

Refocusing the Record.

Appellee's Brief raises no question or point of law not heretofore discussed in Appellant's Opening Brief. Appellee's Brief does, however, contain few references to the record before this Court, and myriad assertions of "fact" entirely unsupported by the record and entirely new to Appellant. Furthermore, we sincerely insist that the Appellee's failure to comply with Rule 18(3) of this Court is intentional, not the product of oversight.

Out of a desire not to prolong this reply unnecessarily, but in fear that many such statements made by Appellee be treated as factual, and supported somehow

in the Transcript of Record, we make the following observations about only the most gross assertions.

1. Appellee states, in effect, that the moneys advanced by certain creditors to secure confirmation of the Amended Plan of Arrangement discharged certain tax claims against Appellee which were a personal liability of its board of directors upon which Appellant had a representative; that consequently Appellant received a benefit from the advancement of such funds and confirmation of the Amended Plan contrary to its assertion that, as a secured creditor, it received no gain or advantage whatsoever therefrom. Thus, at pp. 9-10 of Appellee's Brief:

"A question as to the liability of the directors of debtor on some of the government's tax claims was ever present."

And at page 10:

"By use of the funds advanced to pay all tax claims, there was no longer a question remaining as to the liability of a director of the debtor corporation to pay such claims."

And at page 21:

"Furthermore, it would no longer be possible for the taxing agencies to lay claim against Farmer Bros. Co. or its representative on the Board of Directors of debtor, for failure to pay certain taxes which had been collected by debtor in a trust capacity, such as withholding taxes."

Finally, at page 30:

"There was also a consideration running to Appellant by the payment of tax claims, which if not paid by the debtor, would have been a liability of Appellant's representative upon the board of directors of debtor, such as withholding taxes which accumulated during the operation by debtor."

Appellee does not support these contentions by any reference to the record and, indeed, it could not. There was, and is, no evidence upon which they could be based.

2. Appellant has contended that the Amended Plan of Arrangement was in default at the time it petitioned the lower court for permission to foreclose, in that the installment payments of interest on the secured liens of junior lienholders had not been made as expressly provided by Paragraph XI, Article X of the Amended Plan. It then argued (App. Op. Br. pp. 19-21), that Finding of Fact No. XIII [Tr. Rec. p. 67], to the effect that Appellant had been tendered such interest was erroneous as a matter of law.

To such contention Appellee responds, (Appellee's Br. p. 24):

"Appellant says it has received no interest. We do not believe Appellant will dispute the fact that debtor tendered it a cashier's check for the interest due on the date of the hearing herein, and that it is still holding this check uncashed. The record shows that the tender was made."

Of course Appellant disputes this so-called fact. Again, there is no reference to the record which would even remotely support such an assertion.

II.

Refocusing the Argument.

Lastly, Appellant has contended that in the absence of its consent, the rights of a secured creditor cannot be affected or arranged in a Chapter XI proceeding (App. Op. Br. pp. 8 *et seq.*) and that the doctrine of estoppel should not be availed of as an instrument to reach beyond the prescribed limits of the Bankruptcy Act (App. Op. Br. pp. 21 *et seq.*).

Warping those contentions, Appellee asserts, under the heading "Law Of The Case" (Appellee's Br. p. 7):

"We have no serious dispute with the contention of Farmer Bros. Co. that in the absence of the consent of a secured creditor or secured creditors, *or of acts and conduct amounting to estoppel*, the secured claim of such creditor or creditors is not affected by a Plan of Arrangement." (Italics added).

No case holds by dictum or otherwise that the "voluntary agreement" referred to in *Collier on Bankruptcy*, 14th Ed., Vol. 9, page 187 (See App. Op. Br. p. 11) may be supplied by an estoppel. To so hold now would seriously cloud the rights, status and title of every secured creditor touched by a Chapter XI proceeding.

III.

Conclusion.

We stated before that the Amended Plan of Arrangement did not prohibit foreclosures but actually contemplated that eventuality (App. Op. Br. pp. 42-43). The Amended Plan provided, in pertinent part, at Art. XIX, Paragraph XIII [Tr. Rec. p. 14]:

"That it is necessary for a speedy and proper administration of debtor's affairs and the equitable payment of creditors that all creditors and all parties be enjoined and restrained from commencing or prosecuting any suit or foreclosure proceeding in any manner *other than before the above entitled Court . . .*" (Emphasis added).

We further indicated that the motivating cause of Appellant's application for permission to foreclose was the breach of the provision in the Amended Plan providing for monthly payments of interest on the debts

secured by junior liens. To this, Appellee responds at pages 22-23 of its Brief:

“Also, the fact that the plan relates that certain funds would be earmarked for the payment of interest on junior liens, was not made for the purpose of trying to bind any secured creditor who refused to go along with the contemplated plan, but rather to inform unsecured creditors what certain funds of debtor would be used for.”

The Amended Plan of Arrangement, and the Order Confirming And Approving Plan of Arrangement As Amended, will speak for themselves. It is patently preposterous to assume that Appellant, or any other junior lienholder for that matter, intended to cast its fate to the general, unsecured creditors for an indefinite period of years when the provisions of Chapter XI of the Bankruptcy Act neither contemplate nor require that it do so. It is ridiculous to assume that the monthly payments to the junior, secured creditors was not held out as an inducement to inaction.

If there has been any deceptive conduct, or representation, or breach of duty; if there has been any failure to do what was to be done, it lay with the Appellee, to either obey the mandate of the Amended Plan and the Order Confirming the same or candidly advise the secured creditors that it could not, or would not, and get on about the business of an ordinary bankruptcy. That was never done.

Respectfully submitted,

WALKER, WRIGHT, TYLER &
WARD,

By EDWARD M. LYNCH, and
BROWNELL MERRELL, JR.,
Attorneys for Appellant.

Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

EDWARD M. LYNCH

FEB 14 1967

No. 20,508 ✓

**United States Court of Appeals
For the Ninth Circuit**

MASTER TRANSMISSION REBUILDING COR- PORATION & MASTER PARTS, INC., <i>Petitioner,</i>	}
VS.	
NATIONAL LABOR RELATIONS BOARD, <i>Respondent.</i>	

**On Petition to Review and Set Aside an Order of the
National Labor Relations Board**

PETITIONER'S BRIEF

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No. 20,508

United States Court of Appeals For the Ninth Circuit

MASTER TRANSMISSION REBUILDING COR-
PORATION & MASTER PARTS, INC.,

Petitioner,

VS.

NATIONAL LABOR RELATIONS BOARD,

Respondent.

On Petition to Review and Set Aside an Order of the
National Labor Relations Board

PETITIONER'S BRIEF

JURISDICTIONAL STATEMENT

The Petitioner, Master Transmission Rebuilding Corporation & Master Parts, Inc. (herein referred to as "Employer") petitioned this Court to review and set aside an Order of the National Labor Relations Board (herein referred to as the "Board") issued on October 28, 1965, pursuant to Section 10(c) of the National Labor Relations Act, as amended, 61 Stat. 136, 29 U.S.C. sec. 151 et seq. The Board has petitioned for enforcement of its Order (RT page 94). This Court's jurisdiction is based upon sec. 10(f) of the Act. The Board's Order is reported at 60 LRRM 1317; 155 NLRB 35; TR page 49. All acts and con-

duct alleged to be unfair labor practices occurred in the City of Fresno, County of Fresno, State of California and within the Ninth Circuit.

STATEMENT OF THE CASE

The following facts are not in dispute. Petitioner is a California corporation, engaged in the business of rebuilding transmissions. Mr. Rowland is the chief executive officer. All matters of important Company policy are determined by him. He was solely responsible for labor relations policies. His plant supervisor was clothed with authority only with respect to production and sales. Prior to January 22, 1964,¹ the International Association of Machinists, AFL-CIO, District Lodge No. 87 (hereinafter referred to as the "Union") engaged in an organizational drive to organize the employees of petitioner. On or about January 22, the Union obtained 15 authorization cards executed by employees, authorizing the Union to be their collective bargaining representative. On January 22, the Union mailed a letter to the Employer, requesting recognition and asking the Employer to bargain with said Union. The letter was received in the offices of petitioner on January 27. The president of the petitioner corporation was absent from the city on an extended business trip from January 22 to February 5. On February 4, the Union filed a Representation Petition with the National Labor Relations

¹All dates set forth in this brief are in 1964 unless otherwise designated.

Board pursuant to Section 9(e) of the Act. On February 5, the petitioning president (sometimes referred to as "Employer") received the Petition for Election and later the same day received the letter from the Union demanding recognition and bargaining (G.C. Exh. 17A). On February 14, the Employer entered into a Consent Agreement, consenting to the National Labor Relations Board election and the National Labor Relations Board election was held on February 24. The tally of ballots (G.C. Exh. 21A) shows that the vote was 12 votes against the Union, 6 votes for the Union, and 1 vote challenged. Thereafter, on February 28, the Union filed Objections to the election, alleging conduct affecting the results thereof. On September 21, the Regional Director set aside the results of the election. Prior thereto, on February 7, the Union filed Unfair Labor Practice Charges, alleging that the Employer had unlawfully discharged employees James C. Smith and Timothy Tyler, Jr., in violation of Sections 8(a)(1) and (3) of the Act. A First Amended Charge was filed on March 2, alleging that the Employer had refused to bargain with the Union, in violation of section 8(a)(5) of the Act. A Second Amended Charge was filed on June 1, re-alleging discriminatory discharge of Tyler only and violations of 8(a)(1) and (3), 8(a)(2) and 8(a)(5) of the Act, but did not allege the unlawful termination of Tyler or Smith or an 8(a)(3) violation. On September 23, 24 and 25, a hearing was held in Fresno, California before Trial Examiner David Doyle, in Case No. 20-CA-2974. The Trial Examiner issued his Decision on June 23, 1965 and found the petitioner

guilty of violating Sections 8(a)(1) and 8(a)(3) of the Act. Said Decision held that the petitioner had not violated Sections 8(a)(5) or 8(a)(2) of the Act and certain conduct which had been alleged to be in violation of 8(a)(1) and (3). The petitioner was willing to accept this Decision; however, the General Counsel filed Exceptions to the Trial Examiner's Decision on July 28, 1965. The National Labor Relations Board, in its Decision and Order, rendered on October 28, 1965 (cited at 60 LRRM 1317, 155 NLRB 35) upheld the Trial Examiner in regard to certain 8(a)(1) and (3) violations and reversed the Trial Examiner and held that the Employer was also guilty of violation of Sections 8(a)(2) and 8(a)(5) of the Act and other 8(a)(1) and (3) conduct.

All acts alleged to be unfair labor practices occurred in the County of Fresno, State of California, and are within the jurisdiction of the United States Court of Appeals for the Ninth Circuit.

**POINTS RELIED ON FOR REVERSAL OF THE BOARD'S
DECISION AND ORDER AND AUTHORITIES**

I

The substantial evidence does not support the Board's reversal of the Trial Examiner's findings and conclusions.

II

(a) The Board's decision that Petitioner violated Section 8(a)(5) of the Labor-Management Relations

Act, as Amended, contrary to the Decision of the Trial Examiner, is not supported by the substantial evidence and is contrary to law.

(b) The substantial evidence does not support the Employer's lack of good faith doubt of the Union's majority status when he was found by the Board to have refused to bargain.

(c) The National Labor Relations Board erred in considering signed authorization cards as proof of majority status.

(d) The Board's Order, requiring the Employer to bargain with the Union, violates the rights of the employees as guaranteed by Section 7 of the Act.

III

The Board erred in reversing the Trial Examiner and finding the Employer violated Section 8(a)(1) and 8(a)(3) of the Act.

IV

The Board erred in reversing the Trial Examiner and finding the Employer violated Section 8(a)(2) of the Act.

V

The Board erred in applying the Bernel Foam Products Doctrine and making its Order requiring Petitioner to bargain.

ARGUMENT**I****THE SUBSTANTIAL EVIDENCE DOES NOT SUPPORT THE BOARD'S REVERSAL OF THE TRIAL EXAMINER'S FINDINGS AND CONCLUSIONS.**

Occasionally, the National Labor Relations Board, in its reversal of a Trial Examiner, so completely ignores the substantial evidence, the record screams a mute appeal for reversal. This is such a case.

The Board, in this case, did not assume the reasonableness and fairness of the findings and conclusions of its experienced Trial Examiner. The Trial Examiner found that the Employer did not violate Section 8(a)(5). He found that the Union's loss of a majority status was occasioned by the vigorous anti-union campaign of employees Wilson and Nuzzolese. He found that the Employer did not refuse to bargain and engage in unfair labor practices for purposes of delay in order to undermine the Union's majority. He found that the posting of the tardiness notice was not an 8(a)(1) violation. He found that no violation of the Act occurred after February 7, 1964 as the result of Mr. Rowland's threatened reduction in overtime. He did not credit employee Napier's testimony that the Employer representative had threatened to close the plant. He concluded that the employees' rights under Section 7 of the Act would be violated if an order to bargain was made. These findings are supported by substantial evidence, are based on the assessment of credibility of the witnesses, are questions of fact, were formed by the experienced Trial Examiner who gave weight to the evidence in ac-

cordance with its context, and who under all the circumstances of the case was the only person physically capable of evaluating the evidence and giving to it its true import, construction and interpretation.

In *Universal Camera v. NLRB*, 340 US, at 493, the Supreme Court of the United States held:

“It is therefore difficult to escape the conclusion that the plain language of the statutes directs a reviewing court to determine the substantiality of evidence on the record including the examiner’s report.”

On the weight to be given a trial examiner’s report in applying the substantial evidence standard, the Court said:

“We do not require that the examiner’s findings be given more weight than in reason and in the light of judicial experience they deserve. The ‘substantial evidence’ standard is not modified in any way when the Board and its examiner disagree. *We intend only to recognize that evidence supporting a conclusion may be less substantial when an impartial, experienced examiner who has observed the witnesses and lived with the case has drawn conclusions different from the Board’s than when he has reached the same conclusion.* The findings of the examiner are to be considered along with the consistency and inherent probability of testimony. The significance of his report, of course, depends largely on the importance of credibility in the particular case. To give it this significance does not seem to us materially more difficult than to heed the other factors which in sum determine whether evidence is ‘substantial.’” (Pages 496 and 497) (Italics added).

Upon remand, Judge Learned Hand, for the Court (190 F. 2d 429 at 430), stated:

“Perhaps as good a way as any to state the change effected by the amendment [1947 amendment to § 10(e) of National Labor Relations Act, 29 U.S.C. § 160(c)], making findings of Board conclusive ‘if supported by substantial evidence on the record considered as a whole’] is to say that we are not to be reluctant to insist that the examiner’s findings on veracity must not be overruled without a very substantial preponderance in the testimony as recorded.”

In *NLRB v. Brown*, 380 US 278, 15 LRRM 2663, the Supreme Court, on March 29, 1965, said:

“Courts are expressly empowered to enforce, modify or set aside, in whole or in part, the Board’s orders, except that the findings of the Board with respect to questions of fact, if support by substantial evidence on the record considered as a whole, shall be conclusive. National Labor Relations Act, as amended, §§ 10(e), (f), 29 U.S.C. 160(e), (f) (1958 ed.). Courts should be ‘slow to overturn an administrative decision,’ *Labor Board v. Babcock & Wilcox Co.*, 351 U.S. 105, 112, 38 LRRM 2001, but they are not left ‘to “sheer acceptance” of the Board’s conclusions,’ *Republic Aviation Corp. v. Labor Board*, 324 U.S. 793, 803, 16 LRRM 620. Reviewing courts are not obliged to stand aside and rubber-stamp their affirmance of administrative decisions that they deem inconsistent with a statutory mandate or that frustrate the congressional policy underlying a statute. Such review is always properly within the judicial province, and courts would abdicate their responsibility if they did not fully

review such administrative decisions. Of course due deference is to be rendered to agency determinations of fact, so long as there is substantial evidence to be found in the record as a whole."

In *NLRB v. Cactus Petroleum Inc.*, 61 LRRM 2305, the Court refused enforcement of the Board's 8(a)(5) findings and order to bargain, because the evidence did not show that the union represented a majority when the employer refused to bargain, stating:

"... The record is devoid of any evidence showing that the dissipation of the Union majority can be attributed to any act of the employer . . . Our task is complicated somewhat by the fact that the Board's order directly contravened the decision of the Trial Examiner."

In *American Ship Building Co. v. NLRB*, 380 US 300, 58 LRRM 2672, the Board, contrary to the Trial Examiner, found that the respondent had no reasonable basis for fearing a strike. Justice Goldberg, in his concurring opinion, stated:

"The sum of all this is that the record does not supply even a scintilla of, let alone any substantial, evidence to support the conclusion of the Board . . . but, rather, this conclusion appears irrational."

In the case at bar, the Board not only has "failed to assume the reasonableness and fairness of the Trial Examiner's findings", *it has disregarded them and given them no weight whatsoever*. These findings are evidence. They are evidence of the most important

kind, inasmuch as they represent the application of the Examiner's judgment of credibility. So, also, they represent his judgment of giving weight to the evidence in its proper context. It was he who observed the demeanor of the witness, the witness' intelligence, his physical response on cross-examination, and his frankness and trustworthiness.

This function of trial cannot be done in the sterile atmosphere of the Board, 2,500 miles distant from the witness. The history and tradition of our law has always given to those on the scene important powers with respect to credibility and the weight and interpretation of evidence.

The findings of the Board do violence to this time tested system of trial procedure.

There is not only no substantial preponderance of evidence in the record negating the Trial Examiner's findings on veracity and weight, there is none at all. The degree to which the Board had to "pick" at the testimony and evidence to find facts and inferences to support its decision all too well demonstrate its inability to find substantial evidence to support its findings from the record as a whole.

It is submitted that the Trial Examiner's decision based upon his "on the spot" appraisal of veracity and weight of evidence should prevail.

The appeal should be sustained and the order of enforcement denied.

Inasmuch as each of the succeeding arguments involve in some measure the test of credibility, the

evaluation of evidence in its proper context and the reasonableness of the inferences drawn therefrom, they will be discussed in connection with the findings and conclusions to which they apply.

II

(a) The Board's Decision That Petitioner Violated Section 8(a) (5) of the Labor-Management Relations Act, as Amended, Contrary to the Decision of the Trial Examiner, Is Not Supported by the Substantial Evidence and Is Contrary to Law.

The Trial Examiner, in his Decision and Order issued June 23, 1965, found that the Union did not represent the majority of the employees within the appropriate unit after February 4 (TXD 13:59, 60; TR² Vol. 1:34.)

The National Labor Relations Board, in its Decision dated October 28, 1965, found that the Employer was guilty of refusal to bargain on February 5, 1964 (BD page 9; TR Vol. 1:57), and made its Order requiring the Employer to bargain.

The evidence discloses that the Union had obtained 15 signed authorization cards on or about January 22, 1964, and further shows that on February 5, 1964, when Mr. Rowland, President of Petitioner, was found by the Board to have refused to bargain, the Union no longer represented a majority of the employees in the unit. Prior to and including February 5, 1964, a group of employees who were opposed to the Union vigorously campaigned against the Union and

²TR refers to Vol. I of the Transcript of Record.

circulated an anti-Union Petition. Said anti-Union Petition contained the signatures of 13 employees. One of these employees, Fred Coons, was not a part of the appropriate unit, thus said anti-Union Petition contained 12 valid signatures. On this date, there were 20 employees in the unit. Five of the employees who signed this anti-Union Petition had previously signed Union authorization cards. They were employees Viayno, Eagles, Anderson, Williams and Hill (TXD 13:55; TR Vol. 1:34.) Of the 15 employees who previously had signed authorization cards, two were no longer employed by the Employer on February 5, 1964; therefore, there remained only 8 valid authorization cards (as found by TXD 13:55-60; TR Vol. 1:34); the execution of the anti-Union Petition by the 5 employees constituted an effective repudiation of the Union.

Fort Smith Broadcasting Company v. NLRB, 341 F. 2d 874, holds that an employee's subsequent change of heart or afterthoughts can destroy the majority status of the Union. In this case, the Court found that the Union's majority status was destroyed when an employee who signed the Union card "changed his mind." In view of the employee's obvious defection from the Union, it is clear that the Employer would have committed unfair labor practices, should he engage in negotiations with or enter into a contract with a minority Union on February 5, 1964.

Int. Ladies & Garment Workers Union, AFL v. NLRB, 366 US 731;

Glendale Manufacturing Co. v. Local 520, 283 F. 2d, 936, 939; certiorari denied at 366 US 960.

The Union's loss of majority status is a fact accepted even by the Board (BD p. 5; TR Vol. 1:53). The question then is simply what caused this loss of majority. It is incumbent upon the National Labor Relations Board to show some causal relationship between alleged unfair labor practices and the Union's loss of majority status.

NLRB v. Hanna Ford Bros. Co., 261 F. 2d 638, 643;

NLRB v. Abrasive Savage Co., 285 F. 2d 552.

The Board, in its Decision, stated:

"It may be true that the campaign of employees Wilson and Nuzzolese against the Union may have had some bearing on the Union's loss of majority. But this is a matter of speculation." (BD p. 6; TR Vol. 1:54.)

The Trial Examiner credited the testimony of Wilson and Nuzzolese and found that the loss of majority was occasioned by the

". . . vigorous anti-union campaign of Wilson and Nuzzolese which was an independent, intervening cause of the election results." (TXD 14:5; TR Vol. 1:35).

The Board states in its Decision:

"The fact remains that the Union achieved its majority status notwithstanding the counter-activities of these two employees, and it was not until Respondent intervened on the campaign and engaged in unlawful coercive conduct that there is evidence of employee defection from the Union." (BD p. 6; TR Vol. 1:54.)

This statement by the Board is contrary to the substantial evidence. The Union did not achieve its majority status under the evidence "notwithstanding the counter-activities of these two employees." The facts and the testimony show that it was the counter-activities of these two employees which resulted in a loss of majority by the Union, as evidenced by the fact that 5 employees who signed authorization cards, did, on February 5, 1964, sign the anti-Union Petition. Wilson's credible testimony showed that these employees changed their minds or had never made up their minds at the time they executed authorization cards (RT 194, 242; Resp. Exhibit 2.) These are not "speculations." They are established facts.

(b) The Substantial Evidence Does Not Support the Employer's Lack of Good Faith Doubt of the Union's Majority Status When He Was Found by the Board to Have Refused to Bargain.

It is well established that the law will impose no duty to bargain with the Union upon request if the Employer has a good faith doubt of the Union's majority.

The Board, in its Decision (BD page 5; TR Vol. 1:53), states:

"In this case there is not only the lack of evidence showing a good-faith doubt, but affirmative evidence showing Respondent to have engaged in the unfair labor practices . . . whose foreseeable consequence was the destruction of the Union's majority status."

This statement is unsupported by the evidence. The Union's loss of majority was already evident on

February 5, 1964 (TXD 13:60; TR Vol. 1:34), and was occasioned by the anti-Union campaign of certain employees. The evidence shows that the Employer, on February 5, 1964, had a good faith doubt of the Union's majority status. A good faith doubt or lack thereof must exist at the time the Employer refuses to bargain or refuses to recognize the Union. The Board found this refusal to have occurred on February 5, 1964 (BD page 9, par. 8.) The record discloses *not one single act* on the 5th that can be interpreted as a refusal to bargain.

A good faith doubt is a state of mind. The only item in the record that shows that the Union claimed a majority is the Union's letter (Gen. Counsel's 17A) which claimed they represented a majority of the employees and requested recognition. The Union at no time made any effort to prove its majority status. In fact, this was the only communication made by the Union to the Employer. The Union did not offer to prove its majority status by submitting authorization cards. The Union at no time stated it ever had authorization cards, nor did it in any way attempt to show by what method or means it represented a majority.

On February 4, 1964, the Union filed an Election Petition which was received by the Employer and opened prior to his opening General Counsel's 17A. The Trial Examiner stated that this was

“... certainly not the typical card-check case, in which an employer refuses to engage in a card check, offered by the Union and insists on the election procedure for purposes of delay, which the employer uses to undermine the Union's ma-

jority. Here, there is no such proffered card-check. In its letter of January 22 the Union demanded recognition and bargaining; it *claimed* a majority in the unit but made no offer to *prove it* in any way. The petition of the Union supplied that deficiency, the election procedure was the *one* and *only* way selected by the Union to prove its majority."

It would appear from the foregoing that the Trial Examiner felt there was a good faith doubt, although he did not specifically rule on this point, since he found the Union did not represent a majority on or after February 4, 1964.

We submit that there was no decision made to refuse to bargain or not to bargain on February 5, 1964. The only decision that was made was made on February 6, 1964 when the Employer's counsel wrote to the Union and agreed to consent to an election and was willing to discuss discharges of Timothy T. Tyler and Jimmy C. Smith.³ It is important to note that the Union never replied to this request.

As evidence of good faith doubt on February 5, 1964, the record shows that Mr. Rowland never believed the Union represented a majority⁴ (RT 481:23, 24; 477:7-10; 402:1-9; 401:23-25; 423:5-17.)

The extrinsic evidence also supports the fact that not only was there a good faith doubt but as a matter of fact, the Union had lost its majority status on February 5, 1964. The anti-Union Petition contained

³Not involved in this proceeding.

⁴RT refers to the original Reporter's Transcript, which is Vol. II of the Transcript of Record.

13 signatures. One signature was not appropriate; therefore, there were 12 valid signatures on the anti-Union Petition on February 5, 1964 in a unit of 18 employees. On February 24, 1964, there were exactly 12 votes cast against the Union; there were 6 votes cast for the Union, with 1 challenged ballot, so it is apparent that the exact results were obtained in the election as was evidenced by the anti-Union Petition on February 5, 1964 (after removing from those eligible the terminated employees, Tyler and Smith, who left prior to February 5.) There is nothing in the record on February 5 to show bad faith. The evidence is uncontradicted that Rowland had reason to believe the issue of the "majority" was to be decided by a Board Election. It was not the act of the Employer, but rather the act of the Union which resulted in an election being held.

(c) The National Labor Relations Board Erred in Considering Signed Authorization Cards as Proof of Majority Status.

It is apparent that the present policy of the Board is to consider Union authorization cards as the equivalent of votes. This concept can, and in this case will, result in forcing an unwanted Union upon the majority of the employees in the appropriate unit. The validity of authorization cards was discussed by the Chairman of the National Labor Relations Board, Mr. McColloch, in an address before the Labor Relations section of the *American Bar Association* in 1962, wherein he stated:

"In 58 elections, the unions presented authorization cards from 30 to 50% of the employees; and they won 11 or 19% of them.

“In 87 elections, the unions presented authorization cards from 50 to 70% of the employees; and they won 42 or 52% of them.

“In 57 elections the union presented authorization cards from over 70% of the employees and they won 42 or 74% of them.”

(1962 Proceedings, Section of Labor Relations Law, American Bar Association, pp. 14, 17.)

Further evidence of the unreliability of authorization cards can be shown by the testimony of employee Wilson who stated that many of the employees were strictly on the fence and that they had not made up their minds (RT 194, 242).

We believe it more important that there should be no obligation imposed upon an Employer to bargain unless the Union offers to prove its majority status. In all cases cited by the Board, the Union had either offered a card check and the Employer refused to bargain, or had in some other manner offered to prove the Union majority status. In the following cases, the courts found signed authorization cards not sufficient to justify a bargaining order:

NLRB v. Flomatic Corp., C.A. 2, 1965, 59 LRRM 2535;

NLRB v. A. & P. Tea Co., C.A. 5, 1965, 59 LRRM 2506;

NLRB v. Johnnie's Poultry Co., C.A. 8, 1965, 59 LRRM 2117;

NLRB v. Peterson Bros., Inc., C.A. 5, 58 LRRM 2570.

Even in cases where the Board made an order to bargain, there was clear evidence of majority status—an offer by the union to prove its majority by check-off of authorization cards, facts not found in this case.

Bernel Foam Products, NLRB 1964, 56 LRRM 1039;

Colson Corp. v. NLRB, 59 LRRM 2512, cert. denied at 60 LRRM 2353;

I.U.E. v. NLRB, 59 LRRM 2232, cert. denied by U.S. Supreme Court 60 LRRM 2353;

Irving Air Chute, 57 LRRM 1330.

This Court should carefully scrutinize this controversial policy of the Board, requiring the Employer to bargain with a Union on the basis of authorization cards alone, especially in this case where there was no offer to prove the majority status or the validity of the authorization cards.

The Union or the Board's regional offices at no time told the Employer prior to the alleged refusal to bargain that the Union possessed authorization cards or in what manner it claimed to represent a majority. To impute such knowledge to the Employer is unreasonable and an abuse of the Board's discretion.

(d) The Board's Order, Requiring the Employer to Bargain With the Union, Violates the Rights of the Employees as Guaranteed by Section 7 of the Act.

Section 7 of the Act states:

“Employees shall have the right to self-organization, to form, join or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other con-

certed activities for the purpose of collective bargaining or other mutual aid or protection, and shall also have the right to *refrain from any or all of such activities . . .*" (Emphasis added.)

The Trial Examiner, in discussing the activities of the two groups, one for the Union and the other against, stated as follows:

"Each of these groups had the right under Section 7 of the Act to pursue these lawful objectives, and neither group enjoys a right to preferred treatment under the Act at the hands of the Board. Under the circumstances here, I cannot see how the Board can favor one group of employees over the other, without depriving the other group of its statutory rights under Section 7 of the Act. The facts here, in my judgment, warrant the Board in issuing an order remedying the unfair labor practices, with a new election to be ordered when the effects of the unfair labor practices have been dissipated. An order to this Company to bargain with the Union as the collective bargaining representative of *all* the men in this unit, would do violence to the rights of the majority, as evidenced by the anti-union petition and the election tally." (TDX 14:10-20; TR Vol. 1:35.)

The Trial Examiner further stated:

"... it seems clear, and I find, that this conduct of the five employees, in signing the anti-union petition effectively withdrew their authorization cards from any count to determine majority in the unit. Furthermore, the election by secret ballot proved that the Union no longer possessed the adherence of these five employees. Therefore, I

find, that the Union never possessed a majority in the appropriate unit of employees after February 4." (TXD 13:55-60; TR Vol. 1:34.)

The result of the Board's Order to Bargain contrary to the majority wishes is to accomplish a de facto certification of the Union as the collective bargaining representative by unfair labor practice procedure, rather than by using the representation procedure of the Act as set forth in Section 9 of the Act.

In *International Ladies Garment Workers Union v. NLRB*, 366 US 731 (1961), the U. S. Supreme Court affirmed and enforced an order of the National Labor Relations Board penalizing an Employer despite its good faith belief that the Union it bargained with had a majority. The Board ordered the Employer to withdraw recognition from the Union and found violations of Sections 8(a)(1) and 9(a)(2) of the Act. This Court said (at pages 737 and 738) that the Employer had

"... granted exclusive bargaining status to an agency selected by a minority of its employees, thereby impressing that agent upon the non-consenting majority. There could be no clearer abridgement of Section 7 of the Act, assuring employees the right 'to bargain collectively through representatives of their own choosing' or 'to refrain' from such activity. It follows without need of further demonstration that the employer activity found present here violated Section 8(a)(1) of the Act which prohibits employer interference with, and restraint of employee exercise of Section 7 rights."

In the face of this decision, the Board's Order requiring the Employer to bargain denies the Petitioner of any right to have the question of representation and unit questions decided by the Board under Section 9 and requires the Petitioner to take the risk of violating the law if it recognizes a union which only represents a minority.

The Board, in its Decision (on page 5), admits the loss of union majority. The Trial Examiner, as set forth above, found that the Union did not represent a majority after February 4. Therefore, such an order by the Board is in the form of a penalty against the Employer for allegedly engaging in unfair labor practices. This, standing alone, negates the purposes of the Act. It results in forcing an unwanted union upon the majority of the employees. It was a violation of Section 7 and exceeds the scope of the powers of the National Labor Relations Board.

III

THE BOARD ERRED IN REVERSING THE TRIAL EXAMINER AND FINDING THE EMPLOYER VIOLATED SECTIONS 8(a)(1) AND 8(a)(3) OF THE ACT.

The Trial Examiner, in his Decision and Order dated October 28, 1965, found that the following conduct violated the Act:

- (1) The interrogation of employee Dale Chevoya, on or about January 27, 1964, by Messrs. MacGuinigie, Lawley and Young.

(2) The interrogation of employee C. S. Napier, on or about January 27, 1964, by Mr. Lawley.

(3) Mr. Frank Rowland's speech of February 5, 1964 in which he reduced overtime hours.

Agreeing with the Trial Examiner's Decision, the Board found violations of Sections 8(a)(1) and 8(a)(3) as a result of the above Employer conduct.

This Petitioner, in writing, agreed with the Regional Board to enter into a Settlement Agreement, post the notices, and accept the decision of the Trial Examiner. However, the General Counsel for the Board filed Exceptions to the Trial Examiner's Decision and Order, on July 28, 1965.

The Board, in its Decision and Order, affirmed the decision of the Trial Examiner and found that the above three acts by the Employer were in violation of the Act. However, the Board in its Decision and Order found that in addition to the acts found to have been a violation by the Trial Examiner, that the Employer was also guilty of violating Sections 8(a)(5) and 8(a)(2), and found additional acts constituting violations of Sections 8(a)(1) and 8(a)(3).

Insofar as the violations found by the Trial Examiner, the interrogations of Chevoya and Napier, on or about January 27, 1964, were prior to any claim of representation by the Union, or any demand for bargaining. The Board has a long standing policy that it will not consider employers' conduct, for the purposes of setting aside an election, which occurred

prior to the filing of the petition for an election. The Petition for Election was filed on February 4, 1964. These prior, isolated interrogations should not be considered for purposes of the Board setting aside the election, ordering a new election, or making its order to bargain.

NLRB v. Goodyear Tire & Rubber Co., 138
NLRB 59, 51 LRRM 1071.

In the *Goodyear* case, the Board stated:

“The filing of the petition should be clear notice in all cases that objectionable conduct is thereafter taboo.”

Prior to the *Goodyear* decision, the Board would not consider any employer conduct prior to the union's execution of a consent agreement. A Consent Agreement was executed in this case on February 14.

Section 8(c) of the Act provides:

“The expressing of any *views, argument, or opinion*, or the dissemination thereof, whether in written, printed, graphic, or visual form, shall not constitute or be evidence of any unfair labor practice under any of the provisions of this Act, if such expression contains no threat of reprisal or force or promise of benefit.” (*Italics added.*)

The isolated statements of supervisors Lawley and MacGuinigie, who had no authority or responsibility in the field of labor relations (RT 399:5-17), should not be sufficient for the Board to set aside an election and make its order requiring the Employer to bargain with the Union.

In *Morgantown Full Fashioned Hosiery Co.*, 33 LRRM 1421, it is said:

“While the Board has frequently referred to its elections as conducted in a ‘laboratory atmosphere’, the adoption of a laboratory standard should not be construed to mean that the Board will ignore the realities of industrial life. In this respect, we are not unmindful of the fact that the ‘laboratory’ for election purposes is usually an industrial plant where vigorous campaigning and discussion normally take place, and where isolated deviations from the above-mentioned standard will sometimes arise, notwithstanding the best directed efforts to prevent their occurrence. In view thereof, we are of the opinion that an employee mandate cannot be lightly set aside merely because the normal and expected plant discussion happens to include a few isolated threats by over-zealous minor supervisory personnel.”

The Trial Examiner (TXD 10:5-10; TR Vol. 1:31) held that the tardiness notice which was aimed at Chevoya was justified, well merited, and did not violate the Act. The Board reversed this finding and conclusion.

The February 5, 1964 speech of Mr. Rowland was found by the Trial Examiner to have violated Section 8(a)(3) of the Act because he threatened to reduce the work week from 46½ hours to 40 hours per week. The evidence is uncontroverted that the employees were engaged in “make-work programs”; “that there was a shortage of cores”; “that they would have to reduce hours unless the Employer obtained more

cores”; and “that there was sufficient economic reason for this economic reduction.” However, it was found that there was also a discriminatory aspect and the Trial Examiner found that this was a violation of Section 8(a)(3).

The Trial Examiner found and credited the testimony of Mr. Rowland and held that Mr. Rowland, on February 7, effectively retracted this statement and his threats, stating:

“Of all the witnesses, Rowland, president of the Company, testified in the most forthright and candid manner. His testimony as to his course of conduct is clear, and consistent with the undisputed facts and other evidence, also it is substantially the same as Rowland gave in a sworn statement to Field Examiner Towhey on March 7, when Rowland was interviewed without the assistance of his counsel. I credit Rowland’s entire testimony; however, his testimony discloses that in some particulars, his conduct violated certain sections of the Act, but as to other items of his conduct, I accept his explanation.” (TXD 11:59-12:8; TR Vol. 1:32, 33.)

He further stated:

“. . . he retracted the principal items of his speech made to them on February 5. I find that in this speech he told them that he was restoring them to 44 hours per week. Rowland’s testimony that shortly thereafter the employees were returned to 46½ hours per week was not challenged in this record. All the employees and Rowland agreed that at this time the ‘core pile’ was low and that Rowland did not have sufficient work on

hand to keep all employees gainfully employed 46½ hours per week on rebuilding transmissions. All the employees in their testimony seemed to be in agreement that during this period some of the employees were almost continually doing 'make-work' cleaning and painting the plant. Therefore, *I credit the statement of Rowland that on February 7, he returned the employees to full work time, and that any hourly periods which the men lost during the ensuing three weeks, was due to economic conditions.*" (Italics added.) (TXD 13:6-20; TR Vol. 1:34.)

It is important to note that the Board here again disagreed with the conclusions and findings of the Trial Examiner that the overtime was restored on February 7 and that any subsequent loss of overtime was for economic reasons. There may have been a technical violation of the Act which existed February 6 and until Rowland's second talk on February 7. It is important to note also that both the Board and the Trial Examiner found Mr. Rowland's February 5 speech to be a violation of Section 8(a)(3) of the Act.

The importance of this is that the Third Amended Unfair Labor Practice Charge filed against the Employer (TR Vol. 1:6) which is the basis for this action did not charge the Employer with violation of Section 8(a)(3). The Charge stated:

"The above-named employer has engaged in and is engaging in unfair labor practices within the meaning of section 8(a), subsections (1) and (2) and (5) of the National Labor Relations Act, and

these unfair labor practices are unfair labor practices affecting commerce within the meaning of the act."

It is also to be noted that the General Counsel's Exceptions To The Trial Examiner's Decision (TR Vol. 1:39-44) does not allege a violation of Section 8(a)(3).

The Trial Examiner, in discussing the testimony of Harold Anderson, stated:

"On this conflict in testimony I credit the testimony of Rowland which is not contradicted in any particular. Anderson, on the other hand, on cross-examination admitted that Rowland said something to him about changing his basis of pay to conform to interstate commerce regulations. On this point I am satisfied that Rowland is the more reliable witness." (TXD 9:50; TR Vol. 1:30.)

The Trial Examiner further stated:

"All other allegations of the complaint, except those found to have been proven as stated above, are hereby dismissed for lack of sufficient evidence." (TXD 14:55; TR Vol. 1:35.)

The Board, in its Decision, found that Rowland's interrogation of Mr. Anderson violated Section 8(a)(1), particularly because the Trial Examiner failed to advert to it.

The Trial Examiner, in his Decision and Order, found that the Employer did not engage in anti-union conduct or unfair labor practices for the purposes

of delay so that he could undermine the Union's majority status, and he states (at TXD 12:35; TR Vol. 1:33):

"And it is certainly not the typical card-check case, in which an employer refuses to engage in a card check, offered by the Union and insists on the election procedure for purposes of delay, which the employer uses to undermine the Union's majority."

He further states (at TXD 13:40-45; TR Vol. 1:34):

"On this record, I cannot find that the employer sought an election for the purposes of delay while he undermined the Union's majority, as stated previously."

The Board concludes (BD 7; TR Vol. 1:55):

"The conduct of Respondent's officials and supervisors made it clear that such refusal was in bad faith and motivated by a desire to gain time in which to undermine the Union's majority status and that such conduct was in violation of Section 8(a)(5) and (1) of the Act."

Having so credited the testimony of the witnesses, it is submitted that to disregard the evidence and draw contrary inferences is an abuse of discretion.

It is also apparent from the record as a whole that the Union had lost its majority prior to February 5, 1964 and that the threats or coercion, if any, found in the speech of Mr. Rowland on February 5 did not affect the results of the election, as the "independent and intervening acts" of the employees in withdrawing their loyalty to the Union by the execution of the

anti-Union Petition dissipated any Union majority as of that date.

In *NLRB v. Manufacturing Corp.*, 334 F. 2d 161, the Court refused enforcement of the Board's order founded on a statement that the plant should close down or automate before it would have a union; the Court stated:

"It is too thin a crust on which to rest anything as serious as a 8(a)(1) violation. We have the impression that the Board of late has tended to overstretch on this type of issue and that, in light of *Universal Camera* (NLRB 340 US 474), a foundation of much greater substance is required than the isolated statements present here. We have refused enforcement in similar situations, particularly on interrogation, in recent cases."

We submit that the violations found in this case rest on "too thin a crust" on which to justify a Board's order directing the Employer to bargain, especially where the majority status of the Union was not established at the time the Employer is alleged to have refused to bargain.

IV

THE BOARD ERRED IN REVERSING THE TRIAL EXAMINER AND FINDING THE EMPLOYER VIOLATED SECTION 8(a)(2) OF THE ACT.

The Trial Examiner, in his Decision (TXD 35-45; TR Vol. 1:35), dismissed the 8(a)(2) allegations of the Complaint. Section 8(a)(2) of the Act defines a labor organization as follows:

“The term ‘labor organization’ means any organization of any kind, or any agency or employee representation committee or plan, in which employees participate and which exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.”

As an appraisal of all the evidence by the Trial Examiner, he found as follows:

“In the light of the above definition, I cannot find that the running of a beer-bust, and the offering of suggestions as to lights and dunk-tanks renders this Employees Committee a labor organization. Evidently, for the purpose of *dealing* with the Company ‘concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.’ The allegation of a violation of Section 8(a)(2) is therefore dismissed.”

Contrary to the Board’s conclusions, the evidence is clear and uncontroverted that the money from the coke machines was to be used for a Company picnic or “beer bust” at Millerton Lake, and it was not to be used for the purpose of financing committee activities. Thus, the financing was a financing of purely social functions.

Insofar as the improvement of lighting in the plant, more dunk tanks, and the repair of impact guns at the suggestions of this committee, this function was no more than that of a suggestion committee. There would have been no violation of the Act in an em-

ployer complying with these suggestions if there had been a certified bargaining representative.

There is no evidence in the record that would indicate that the committee was formed for the purposes of negotiating with the Employer. There is no evidence which would show that it was created as a rival to the petitioning Union. It was an attempt by the Employer to restore cooperation and to get back to normal production.

In a similar case (*Rawhide Manufacturing Co. v. NLRB*, C.A. 7, 35 LRRM 2665), the court found only "laudable cooperation" by the employer.

Even if the Board could interpret this committee to be a labor organization, as previously stated, there is no indication of financing, there is no indication of Company dominance. The committee was prohibited, according to the evidence, from discussing wages, hours and rates of pay. No one fact is conclusive (see *Rawhide Manufacturing Co.*, supra; *Coppus Engineering Corp. v. NLRB*, 39 LRRM 2315; *Hotpoint Co. v. NLRB*, 48 LRRM 2101.)

This is only another glaring example of the Board's arbitrary reversal of its Trial Examiner. This Court should sustain the Trial Examiner and reverse the Board's finding of an 8(a)(2) violation.

V

THE BOARD ERRED IN APPLYING THE BERNEL FOAM PRODUCTS DOCTRINE AND MAKING ITS ORDER REQUIRING PETITIONER TO BARGAIN.

In *Bernel Foam Products*, 146 NLRB 1227, 56 LRRM 1039, the majority decision of the Board overturned the long standing rules established in *NLRB v. Aiello Dairy Farms*, 110 NLRB 1365.

In *Aiello*, which was the policy of the Board on February 5, 1964, if a unit participated in an election despite the employer's refusal to recognize it, the union could not later base a refusal-to-bargain charge on the employer's pre-election conduct. Thus, the union had to make a choice on the two methods open to it to prove its majority. This was the policy of the Board on February 6, 1964, when the Petitioner's counsel agreed to consent to an election. Counsel for the Petitioner and the Petitioner relied upon this *Aiello* Doctrine, as the Union had indicated its choice of the method it chose to prove its majority when it filed an election petition. It should further be noted that the Union and the Employer entered into a Consent Agreement on February 14, 1964, consenting to the election procedure. At no time after the original letter (General Counsel's 17A) had been mailed to the Employer did the Union ever again request bargaining.

Some three months later, on May 4, 1964, the Board discarded this rule and decided that "*henceforth*" it would entertain a refusal to bargain charge based upon the Employer's refusal to recognize the Union

prior to an election. Under this policy, a union which has authorization cards indicating a majority at the time it demands recognition can win an order requiring the employer to bargain, despite its election loss (*Bernel Foam Products*, supra).

Since *Bernel Foam*, the Board in subsequent decisions has continued to make bargaining orders after a union-lost election has been set aside (*Irving Air Chute*, supra).

The courts, although critical of the application of this rule, have not found this to exceed the Board's powers (*Flomatic Corporation*, supra).

The Board and the courts have overlooked the real danger that lurks behind a bargaining order following a union-lost election.

This is the right guaranteed employees to "refrain" from union activities, as guaranteed by Section 7 of the Act.

Due to the unreliability of authorization cards, a signed card is not the equivalent of a vote.

This would be tantamount to saying that a political party who obtained the most registrations in January shall have its candidates elected in June on the basis of the number of signatures obtained in January.

Assuming a valid majority of authorization cards on a given date, a subsequent loss of such majority can occur four ways:

1. By *legal* persuasion of the employer in a manner protected by 8(c) and not violative of the Act.

2. By *legal* campaigning and persuasion by anti-union employees.

3. By uncoerced changes of minds of the employees.

4. By illegal employer interference and coercion.

When it makes the order, how can the Board know what was the *real cause* of the union's loss of majority status? The Board would have to look into the mind of each employee. If any one or a combination of the first three reasons set forth above caused the majority loss, the Board's order to bargain would have the result of forcing the Employer to bargain and forcing the employees into a union, unwanted by the majority, a clear violation of Section 7.

A second election is the only possible way under the Act that the employees can make their free choice, the second election to be held at some time after the coercive effect of the Employer's conduct, if any, has been dissipated.

In this case it is obvious that the interrôgation of Chevoya and Napier never resulted in a change in their vote. The extrinsic evidence of the anti-union petition and tally of ballots is a clear indication of a loss of majority. There is no way the Board can determine from this record that the cause of the loss was not for reasons other than the Employer's alleged unfair labor practices. A review of the recent cases invoking the *Bernel Foam Products* "doctrine" shows

that the orders in those cases to bargain may have, and probably did, violate employees' rights under Section 7 of the Act. If any doubt does exist, it should be resolved in favor of the employees. The Board should not make an "Order to Bargain" where there can be any possibility that the loss of majority status was caused by the employees themselves or by legal persuasion. It is submitted that this is a possibility in every case where the majority of employees vote against a union.

In *Johnnie's Poultry Co.*, 59 LRRM 2117, the Court refused to enforce the Board's order due to the unreliability of authorization cards.

In the *Flomatic* case (*supra*), the Appellate Court suggested that the Board should be cautious in issuing bargaining orders, even where there is evidence of employer misconduct in addition to the "refusal to bargain."

The Board's order in the present case goes much further than the *Bernel Foam* and the subsequent cases. As previously stated, the Union never offered to prove its majority by authorization cards. It never advised the Employer that it possessed authorization cards. It never requested bargaining at any time, except as appears in the original letter (General Counsel's 17A). Instead, on February 4, 1964, it filed an Election Petition which in itself raises a question as to the majority status of the Union. The Union never replied to the letter from Petitioner's counsel agreeing to consent to an election.

In *NLRB v. Decker Truck Lines*, 296 F. 2d at 341:

“An employer is under a duty to bargain as soon as the union representative presents *convincing evidence* of majority support.” (Emphasis added.)

Under the Decision in the case at bar, a union need only write an employer, claiming a majority and requesting bargaining, and the duty to bargain is immediately imposed upon the employer. If the employer does not agree to bargain on the first day that he knows of the request, he is guilty of an 8(a)(5) violation. If the employer should rely on a union-filed petition, he does so at his peril. If the union loses the election, the Board will set aside the results and order the employer to bargain because he did not bargain with the union prior to the election. We submit that this is using unfair labor practice procedure as the basis of determining the representative status of a union. The procedures are mutually inconsistent and this has received judicial recognition.

In *NLRB v. Dan River Mills Inc.*, 274 F. 2d 381, the Court stated:

“The charge and the complaint in essence claimed that the Employer is guilty of unfair labor practice because it refuses to recognize a union for a majority status.

“A Representation proceeding, on the other hand, is premised on the express interim conclusion that there is doubt as to majority representation.

“Both proceedings ought not be maintained simultaneously since, as the Board held here, ‘a representation proceeding and an unfair labor

practice proceeding alleging refusal to bargain are mutually inconsistent.’ ”

There is no reason why a union should not be compelled to resort to election procedure in establishing its majority status, rather than seeking de facto certification as the majority’s representative by the use of unfair labor practice proceedings.

The conduct of the Union in filing an Election Petition led the Petitioner to believe that the Union had concurred in Petitioner’s belief that there was a question as to the majority status. To allow this procedure is to permit a union to obtain recognition by a Board’s order without an election. Congress provided adequate election procedures and a method of Board certification of results of elections (Section 9) to carry out the purposes of the Act. Unfair labor practices should not be resorted to, to circumvent the established procedure.

The Board should not have applied its *Bernel Foam* rule retrospectively. Such a policy has been held arbitrary and unlawful.

Pedersen v. NLRB, 38 LRRM 2227, at 2229
(and cases cited therein).

The Court here said:

“The rationale of these cases limiting the Board’s power to act retroactively is that such retroactive action results in a species of entrapment. Persons who have relied on the Board’s stated policy suddenly find themselves penalized for their conduct. In such a situation the unfairness and hardship to the individual penalized justify a requirement

that the Board point to clear statutory authority for its action."

It is Petitioner's position that the ruling in *Bernel Foam* is wrong and violates the intent of Congress.

Before the 1947 Amendments to the Wagner Act, the Board was empowered to determine representation questions by a secret ballot election or "any other suitable method." This was held to include card counts of authorization cards.

The 1947 Amendments removed the language, "any other suitable method."

It is apparent that Congress intended the Board to decide questions of representation only by secret ballot election. It follows that such a determination by unfair labor practice procedures is an abuse of the Board's authority.

In 1964, with "new Board faces and new ideas", *Aiello* was overruled.

The card count rule of *Bernel Foam* completely lacks the laboratory conditions that the Board has said must attend the selection of bargaining representation.

The policy of making a card tantamount to a vote, in view of the proven unreliability of cards (*Johnnie's Poultry Co.*, supra), is forcing the unwanted bargaining agent upon employees as punishment for the employer's transgressions.

This Court should re-examine the whole rule, in view of the torrent of criticism which now exists.

refusal to bargain on the same date he first had knowledge of a request to bargain.

The record does not show any evidence or testimony which would substantiate that the Union represented a majority on February 5, 1964.

The Trial Examiner, after weighing all the evidence, found that the Employer did not refuse to bargain or engage in unfair labor practices for the purpose of gaining time in which to undermine the Union's majority. Yet, the National Labor Relations Board, more than 2,500 miles away, without benefit of seeing the witnesses, observing their demeanor, bias and prejudice, and without being able to determine the veracity and trustworthiness of their testimony, does from the cold record reverse the Trial Examiner on every important finding of credibility. In such a case as this, where the Board has completely reversed the Trial Examiner, who "lived with the case", the Court should give the record special scrutiny.

Universal Camera Corp. v. NLRB, 340 US 474;
NLRB v. Porter County Coop, 314 F. 2d 133,
 144;

NLRB v. New England Web Inc., 309 F. 2d
 696, 700.

We request that the Court consider carefully the *Bernel Foam* doctrine, especially as it affects the rights of employees under Section 7 of the Act, and the fact that such doctrine was applied retrospectively.

In this connection, we submit that the primary purpose of the Act is to protect *employees* in the free

exercise of their rights; this to the exclusion of the wishes and desires of the Employer or the Union. By enforcing the Board's Order in this case, the primary purpose of the Act will be defeated, the wishes of a majority of the employees negated and a minority union given representative status.

District Judge Timbers, in his well reasoned concurring and dissenting opinion (in *NLRB v. Gotham Shoe Mfg. Co.*, 61 LRRM, at 2192), quoting in part from Judge Anderson's language in *Flomatic*, supra, stated:

“ ‘A bargaining order . . . is strong medicine’. In the instant case, it would be the wrong prescription altogether; whatever its deterrent effect might be on the employer, as a cure for the primary patient, the employees, it would be far worse than the ailment.”

For these reasons, the Petitioner respectfully requests that the Decision and Order of the Board be set aside and the cross-petition for enforcement be denied.

Dated, Fresno, California,
June 3, 1966.

Respectfully submitted,

DOTY, QUINLAN & KERSHAW,
Counsel for Petitioner.

CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

PAUL K. DOTY,
Attorney.

FEB 14 1967

No. 20,508

**In the United States Court of Appeals
for the Ninth Circuit**

**MASTER TRANSMISSION REBUILDING CORPORATION &
MASTER PARTS, INC., PETITIONER,**

v.

NATIONAL LABOR RELATIONS BOARD, RESPONDENT

**ON PETITION TO REVIEW, AND ON CROSS-PETITION FOR
ENFORCEMENT OF AN ORDER OF THE NATIONAL LABOR
RELATIONS BOARD.**

**BRIEF FOR THE NATIONAL LABOR RELATIONS
BOARD**

FILED

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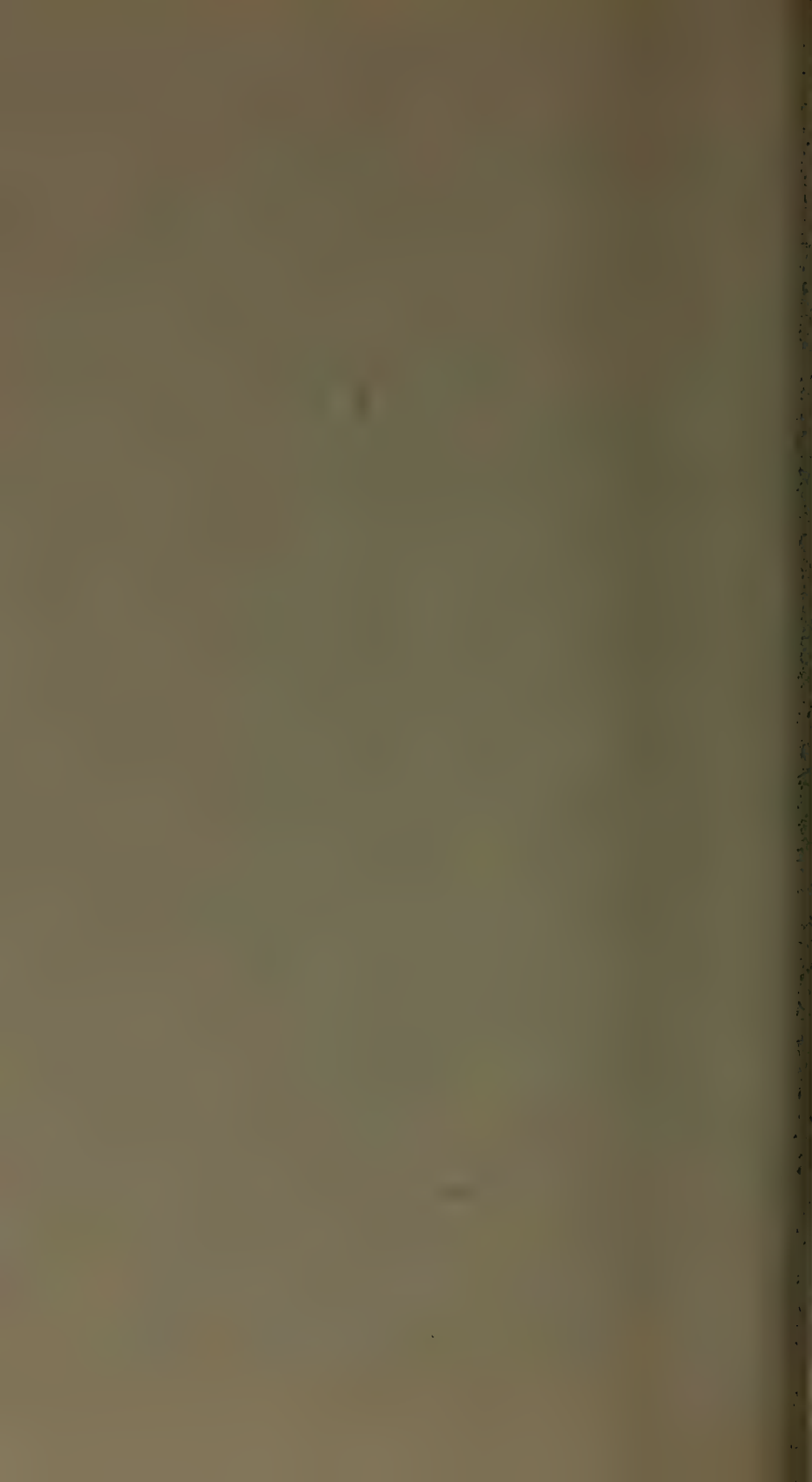
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**In the United States Court of Appeals
for the Ninth Circuit**

No. 20,508

**MASTER TRANSMISSION REBUILDING CORPORATION &
MASTER PARTS, INC., PETITIONER,**

v.

NATIONAL LABOR RELATIONS BOARD, RESPONDENT

*ON PETITION TO REVIEW, AND ON CROSS-PETITION FOR
ENFORCEMENT OF AN ORDER OF THE NATIONAL LABOR
RELATIONS BOARD.*

**BRIEF FOR THE NATIONAL LABOR RELATIONS
BOARD**

JURISDICTION

This case is before the Court upon the petition of Master Transmission Rebuilding Corporation & Master Parts, Inc. (herein called "petitioner" or "Company") to review and set aside an order of the National Labor Relations Board (R. 49-59)¹ issued

¹References designated "R." are to Volume I of the record as reproduced pursuant to Rule 10 of this Court. References designated "Tr." are to the reporter's transcript of testimony as reproduced in Volume II of the record. References designated "GCX" and "PX" are to the General Counsel's and petitioner's exhibits. Whenever in a series of references a semicolon appears, those preceding the semicolon are to the Board's findings; those following are to the supporting evidence.

against petitioner on October 28, 1965, after proceedings under Section 10(c) of the National Labor Relations Act, as amended (61 Stat. 136, 73 Stat. 519, 29 U.S.C., Sec. 151, *et seq.*).² In its answer, the Board has cross-petitioned for enforcement of its order.

The Board's decision and order are reported at 155 NLRB No. 35. This Court has jurisdiction of the proceedings under Section 10(e) and (f) of the Act, the unfair labor practices having occurred at Fresno, California, where petitioner is engaged in the business of rebuilding automotive transmissions.

COUNTERSTATEMENT OF THE CASE

I. The Board's Findings of Fact

In sum, the Board found that the Company sought to frustrate an organizational campaign among its employees by engaging in practices violative of Section 8(a)(1), (2) and (3); that a majority of employees, nevertheless, effectively designated the Union³ as their bargaining agent; and that the Company thereafter violated Section 8(a)(5) and (1) by refusing to recognize and bargain with the Union upon request because the refusal was motivated by a desire to gain time within which to dissipate the Union's majority status. The evidence upon which the Board's findings are based is summarized below.

² The pertinent provisions of the Act are set forth in the Appendix.

³ International Association of Machinists, AFL-CIO, District Lodge No. 87.

A. The employees select the Union as their bargaining agent.

In early January, 1964,⁴ the Union began an organizing campaign among petitioner's employees by distributing literature and authorization cards to a number of employees during their lunch period (R. 24; Tr. 141-144). This activity was observed by the Company's General Manager, Hugh E. MacGuinigie, and its Plant Superintendent, Robert W. Lawley (*Ibid.*). During the following two weeks, employee Dale Chevoya collected from 15 of the Company's 20 employees signed authorization cards designating the Union as their collective bargaining representative (R. 24; Tr. 8-9, 13-16, 143-146; GCX 2-16). The cards were then given to a representative of the Union. Thereupon, on January 22, the Union sent a letter by certified mail to petitioner—addressed to the attention of its president, Frank Rowland—notifying it that the Union represented a majority of the Company's employees and requesting a meeting "at the earliest possible date for the purpose of negotiating and consummating a collective bargaining agreement" (R. 24; GCX 17-A). This letter was received by the Company on January 27, but it was not opened and read until February 5, when Rowland returned to the plant from a trip (R. 24-25; Tr. 339-401, GCX 17-B).

B. The Company reacts to the Union's organizing campaign.

On January 27, the date the Company received the Union's bargaining demand, employee Chevoya was called to the office of General Manager MacGuinigie

⁴ All dates herein refer to 1964.

where he was questioned about the employees' union activities. Also present at the meeting were Plant Superintendent Lawley and Shop Foreman Robert N. Young. MacGuinigie asked Chevoya whether he was the ringleader of the Union adherents and told him that President Rowland was opposed to having a union in the plant. In addition, he threatened that the plant might be moved or closed if it were unionized (R. 31-32, 49; Tr. 146-147, 155-159, 343-348, 378-380). On or about this same day, Superintendent Lawley also interrogated employee Charles Napier about his feelings toward the Union (R. 32; Tr. 75-77). Lawley told him that he and Chevoya were considered to be the ringleaders of the Union, and warned Napier that any employee caught talking about the Union would be discharged. Finally, he told Napier that the Company would move the plant rather than allow it to be organized (R. 49-50; Tr. 76).

Having received no response from the Company to its January 22 request for recognition and bargaining, the Union filed a representation petition with the Board on February 4 (PX 1-A).⁵ The following day, Rowland found in his mail the Union's request for recognition and a letter from the Board's Regional Office explaining that a representation petition had been filed as a result of the Company's failure to reply

⁵ At about the same time, the Union sent the Company a letter complaining about certain recent events at the plant which, in the Union's view, were "not in keeping [with] harmonious relations." Specifically, the Union mentioned the discharge of two employees. The Union's letter asked for a prompt meeting to discuss the matter. (GCX 18).

to the request (R. 25; Tr. 399-401). Rowland then spoke to Plant Superintendent Lawley, who confirmed the Union's advent (Tr. 401-402).

As a result, Rowland called a meeting of all employees that afternoon (February 5). Visibly angered, he denounced them for engaging in union activity "behind his back," and he emphatically stated his opposition to the unionization of his plant (R. 33; Tr. 39, 84, 266-267, 403, 426-427). He remarked that since the employees wanted union conditions, he was instituting an immediate cut in their workweek to 40 hours, thereby depriving them of 6½ hours of overtime (R. 52, 33; Tr. 78, 40, 171, 403, 424-425, GCX 22, p. 3). Henceforth, he informed them, they were prohibited from discussing Union matters "on my time" (R. 51, n. 1, 27; Tr. 79, 403, 408).⁶

The following day, Rowland posted a notice setting forth a new Company policy that any employee tardy for work would be sent home for the entire day. Anyone tardy three times would be automatically discharged (R. 51, n. 1; Tr. 172-173, 408-409). Believing that the notice was directed at him, employee Chevoya spoke to Rowland about the matter on February 7 (Tr. 173). During the six month period preceding this notice, Chevoya had been late to work on many occasions, although he had never before been warned by management about his tardiness (Tr. 177-178). Rowland acknowledged that the notice had been intended primarily for Chevoya and employees Paul

⁶ Employees had 2 break periods during the working day and were paid by the Company for this time (Tr. 79).

Cron and Charles Napier (Tr. 175, 415). Chevoya admitted to Rowland that he had signed a Union card, and apologized for getting "mixed up with" the Union (Tr. 174). He also informed Rowland that 90% of the employees had signed authorization cards (Tr. 482-483). At Chevoya's request, Rowland then had the notice removed; as Rowland explained at the Board hearing, "I think it had already achieved its purpose" (Tr. 479).

At about this time, Rowland called employee Harold Anderson to his office and asked Anderson if he had had anything to do with the Union and if he had signed an authorization card (R. 50-51, 30; Tr. 42-43). Anderson falsely answered in the negative; at the Board hearing, Anderson explained "I was afraid I would lose my job if he found out" (Tr. 44).

On February 6, Rowland consulted an attorney (R. 28, 53; Tr. 405-409, 451-452). That same day, the attorney sent the Union a letter replying to its previous complaint about plant conditions (*supra*, p. 4, n. 5). The letter concluded with a reference to the Union's representation petition and an assurance that the Company would assent to an election. The letter did not, however, refer to the Union's claim of a majority status and demand for recognition and bargaining.⁷

On February 7, Rowland called another general meeting of the employees (R. 28, 53, n. 3; Tr. 406, 431),

⁷ On February 11, the Union replied by mail, advising the attorney that the Union had, by its initial letter to the Company, "very clearly stated our position regarding representation" (GCX 20). Apparently, the attorney never responded to this February 11 letter.

and announced that he had been to an attorney, that his attorney had informed him of his rights, and that he knew what he could and could not do, what he could and could not say (Tr. 407, 411, 483).

Rowland stated that he would "not fight an election . . . [but] would consent to it . . . and that the employees "should vote the way they felt" (Tr 406-407). At the same time, he repeatedly told the employees that he "did not want his shop to be union" (Tr. 407, 483). In addition, Rowland announced that he was restoring a portion of the overtime hours previously cut (R. 53, n. 3, 28; Tr. 407, 432).⁸ After some questions by employees, the meeting was terminated.

C. The Board conducts an election and the Company sponsors the formation of an employee committee.

On February 24, a Board election was conducted at which 6 votes were cast for the Union and 12 against.⁹ On the day after the election, Rowland called a special meeting of the employees to thank them for their vote against the Union (R. 51-52, 30-31; Tr. 411). He told them that he wanted them to select a three-man Employee Committee, to be elected by secret ballot, to present suggestions to him for the improvement of

⁸ At the Board hearing, Rowland explained that he decided to reinstate the overtime because its reduction constituted "poor timing with this union business coming up" (Tr. 432). Not all of the overtime was reinstated, however, because, as Rowland testified, some of the overtime would be uneconomical (Tr. 433-434).

⁹ Upon the Union's objections, however, the Board's Regional Director conducted an investigation, found that the employer had engaged in conduct rendering impossible "a free and untrammelled choice" by employees, and issued an order in September setting aside the election as a nullity (GCX 21-D).

production and morale (R. 51, 29-30, 35; Tr. 506, 412, GCX 22 p. 5). Rowland explained that the Committee could bring any problem to him that might arise, except for wages, and he promised to donate the proceeds of the Company's vending machines for whatever use the employees desired (R. 51; Tr. 506-508, 412, GCX 22 p. 5). Pursuant to Rowland's directions, the Committee was chosen.

At the instance of the Committee, Rowland installed a new and more efficient lighting system in the employees' work area (R. 51, 29-30, 35; Tr. 413, 408). He agreed to assume the responsibility and cost of repairing certain employee tools (R. 51; Tr. 413). Again, at the suggestion of the Committee, he promised, if he found it feasible, to establish a loan fund for employees (Tr. 508-509, GCX 22 p. 5). Additional "dunk tanks" (tanks containing a solvent to remove grease) were installed at the Committee's request (R. 51, 35; Tr. 414). Finally, the Committee arranged for an employee party from the proceeds of the vending machines (R. 15; Tr. 413).

II. The Board's Conclusions and Order

The Board concluded that the Company had violated Section 8(a)(1) by subjecting employees Chevoya, Anderson, and Napier to coercive interrogation, by threatening to move its plant and take other reprisals against employees if they engaged in union activities, and by prohibiting union discussions on employees' nonworking time. The Board also concluded that the Company violated Section 8(a)(3) and (1) by reducing the hours of employment at its plant because the

employees had engaged in union activity and violated Section 8(a)(2) by initiating the formation of a labor organization—i.e., the Employees Committee—and by assisting and supporting that organization. Finally, the Board concluded that the Company's refusal to recognize and bargain with the Union, on and after February 5, violated Section 8(a)(5) and (1); in the Board's view, the Company's insistence upon an election was designed to gain time in which to undermine the Union's majority status and not because of any good faith doubt about that status. (R. 49-55).

The Board's order requires the Company to cease and desist from engaging in the unfair labor practices found and from interfering with employee rights in any other manner. Affirmatively, the Company is required to withdraw recognition from the Employees Committee, to bargain collectively with the Union, and to post appropriate notices.¹⁰ (R. 57-59).

ARGUMENT

I. Substantial Evidence on the Whole Record Supports the Board's Finding That the Company Interfered With, Restrained, and Coerced Its Employees in the Exercise of Their Statutory Rights, Thereby Violating Section 8(a)(1) of the Act.

Petitioner does not challenge the Board's factual findings which establish that employees Chevoya, Napier and Anderson were interrogated by management

¹⁰ The Board also stated that its remedial order would contain a direction that the Company bargain with the Union even if no violation of Section 8(a)(5) had been established. In the Board's view, a bargaining order would be warranted here to cure the individual employee defections from the Union caused by the Company's other unfair practices (R. 55).

about their union activity, accused of being “ring-leaders,” warned that employees who discussed the Union would be discharged, and admonished that President Rowland would move the plant rather than allow it to be organized. That such conduct violates Section 8(a)(1) is too well settled to require further discussion.¹¹

Petitioner, likewise, seems to concede that President Rowland violated the Act by telling employees in his February 5 speech that their overtime hours were being reduced; it is plain enough that this reduction in working time was unlawful since it was intended to serve as a reprisal against union activity (*supra*, p. 5). *N.L.R.B. v. Geigy Company*, 211 F. 2d 553, 557 (C.A. 9). Indeed, petitioner’s sole defense to the Section 8(a)(1) findings apparently boils down to this: the Board should not have found any violations besides those already found by the Trial Examiner. In petitioner’s view, the Board “abused its discretion” (Br. 29) by “disregarding” the Trial Examiner’s credibility resolutions and factual findings in order to find additional violations besides those mentioned above. But petitioner’s argument rests on an inaccurate description of the proceedings below.

In this case, the Court may enforce all the Board’s Section 8(a)(1) findings without risk of overlooking or slighting the Examiner’s findings. For, as we now show, the Board did not reverse any of the Examiner’s

¹¹ *N.L.R.B. v. Security Plating Company, Inc.*, 356 F. 2d 725, 728 (C.A. 9); *N.L.R.B. v. Sebastopol Apple Growers Union*, 269 F. 2d 705, 707-708 (C.A. 9); *N.L.R.B. v. Parma Water Lifter Co.*, 211 F. 2d 258, 261-262 (C.A. 9), cert. denied 348 U.S. 829; *N.L.R.B. v. West Coast Casket Co.*, 205 F. 2d 902, 904-904 (C.A. 9).

credibility resolutions or findings of fact in adding to the list of Section 8(a)(1) violations.

Thus, the Examiner would have dismissed the complaint allegations relating to Rowland's February 7 posting of a notice announcing penalties for tardiness (R. 30-31). In the Examiner's view, the notice was not posted for any ulterior purpose, but merely to get the employees promptly to work. The Board, however, viewing the same facts as the Examiner, concluded that the notice was intended to serve as a reprisal against the employees for engaging in union activity (R. 51, n. 1). The Board's judgment has adequate support: Chevoya and other employees had been late to work on many past occasions (Tr. 177-178), but the Company had condoned the practice for years. Only after Rowland learned of the Union's advent were disciplinary measures taken, and then the notice was posted at virtually the identical time that the Company was depriving employees of other benefits manifestly for anti-union reasons. Hence, the Board's decision on this point is not only in accord with judicial precedent,¹² but it differs with the Examiner's only in respect to what inferences may properly be drawn from undisputed facts. In these circumstances, the fact that the Examiner saw the witnesses testify counts for little, and the disagreement between the Examiner and the Board hardly detracts from the substantiality of support for the Board's result. See cases cited *infra* pp. 22-23.

¹² See *Revere Camera Co. v. N.L.R.B.*, 304 F. 2d 162, 165 (C.A. 7); *N.L.R.B. v. Lexington Chair Co.*, — F. 2d —, 62 LRRM 2273, 2279 (C.A. 4); *N.L.R.B. v. Hill & Hill Truck Lines, Inc.*, 266 F. 2d 883, 885 (C.A. 5).

All the other Section 8(a)(1) violations added by the Board involve situations where the Examiner had already made findings of fact which would warrant a determination that the Act had been violated. Without modifying those findings, the Board simply supplied the missing, appropriate, legal conclusion, i.e., that the conduct was unlawful under the Act. Thus, it is undisputed that Rowland's admonition to employees prohibiting their discussion of union matters on Company time applied even to the employees' break time, when the employees were not actually working. The Examiner did not expressly find this prohibition to be unlawful, but upon exceptions by the General Counsel, the Board supplied the appropriate conclusion of law.¹³ Petitioner shows no reason why the Examiner's oversight should not have been corrected. The same applies to Rowland's undenied interrogation of employee Anderson (*supra*, p. 6) which the Board deemed coercive and unlawful, and Superintendent Lawley's threat of plant closing directed to employee Napier (*supra*, p. 4).¹⁴

¹³ *N.L.R.B. v. Mira-Pak Inc.*, 354 F. 2d 525, 527 (C.A. 5); *Stackhouse Oldsmobile, Inc. v. N.L.R.B.*, 330 F. 2d 559, 561-62 (C.A. 6); *N.L.R.B. v. Essex Wire Corp.*, 245 F. 2d 589, 593 (C.A. 9); and see *Republic Aviation Co. v. N.L.R.B.*, 324 U.S. 793.

¹⁴ Petitioner correctly points out that the Board will not usually set aside an election because of improper conduct occurring prior to the filing of the representation petition (Br. 23-24). See *Goodyear Tire & Rubber Co.*, 138 NLRB 59. But there is nothing in the record to support petitioner's suggestion that the *Goodyear* policy was overlooked here. The Regional Director focussed on President Rowland's admitted conduct of February 5 and 7 in concluding that a fair election had been precluded (G.C. Exh. 21-D). The election petition had been previously filed (*supra*, p. 4).

II. Substantial Evidence on the Whole Record Supports the Board's Finding That the Company Violated Section 8(a)(3) of the Act by Announcing a Reduction in Working Hours on February 5.

It is clear and undisputed that Company President Rowland told the employees on February 5 that since they wanted "union conditions" he was giving them a "union workweek", and thereby reducing their hours of employment by 6½ hours per week (R. 33). The Trial Examiner found that this was "coercive and discriminatory conduct under the Act," and the Board agreed (R. 52). Petitioner concedes, as it must,¹⁵ that this conduct was violative of the Act (Br. 27) but suggests that the violation was cured or mooted because the Company later retreated and restored most of the lost work. This suggestion clearly lacks merit.

First of all, it is settled that a discontinuation of unlawful conduct poses no bar to enforcement of a Board order. *N.L.R.B. v. Mexia Textile Mills, Inc.*, 339 U.S. 563, 567; *Pacific Coast Ass'n. of Pulp & Paper Mfrs. v. N.L.R.B.*, 304 F. 2d 760, 765 (C.A. 9); *N.L.R.B. v. Trimfit of California, Inc.*, 211 F. 2d 206, 208 (C.A. 9). The fact that the order reducing overtime was rescinded before any employees actually suffered wage losses thereby was taken into account by the Board in its drafting of a remedial order, since there is no backpay requirement here. On the other hand, the circumstances of this case make it plain that

¹⁵ *Trumbull Asphalt of Delaware v. N.L.R.B.*, 314 F. 2d 382, 383 (C.A. 7), cert. denied 374 U.S. 808; *N.L.R.B. v. Guild Industries Mfg. Corp.*, 321 F. 2d 108, 110-111 (C.A. 5); *N.L.R.B. v. Unified Industries, Inc.*, 273 F. 2d 431, 432 (C.A. 6).

the Company's restoration of overtime was, of itself, inadequate to dispel the coercive and discriminatory impression already created. Thus, in restoring the overtime, the Company did not make it clear to employees that their future participation in union activity would be immune from reprisal. Indeed, the restoration was only partial—2½ hours of overtime remained lost to employees—and while the Company indicated at the time of restoration that the “union business” had been a reason for the initial reduction, the Company did not make it clear to employees that the remaining loss of 2½ hours was due exclusively to business considerations. Likewise, in restoring part of the overtime lost, Rowland never disavowed his supervisors' prior threats of plant closing and other forms of reprisal against union activity. Accordingly, the Board could properly conclude, as it did, that this was not a case in which there had been a clear and timely disclaimer sufficient to expunge the unlawful effects of prior management conduct. See *A.P. Green Fire Brick Co. v. N.L.R.B.*, 326 F. 2d 910, 914 (C.A. 8); *N.L.R.B. v. Solo Cup Co.*, 237 F. 2d 521, 524, (C.A. 8); *Time-O-Matic Inc. v. N.L.R.B.*, 264 F. 2d 96, 99-100 (C.A. 7); *N.L.R.B. v. Armstrong Tire & Rubber Co.*, 228 F.2d 159, 161 (C.A. 5).¹⁶

¹⁶ Petitioner also challenges the Board's Section 8(a) (3) finding by reference to the fact that the unfair labor practice charge here alleged that the reduction of overtime was a violation of Section 8(a)(1) but not Section 8(a)(3). It verges on the frivolous, we submit, to suggest that the Board is thereby precluded from finding a Section 8(a)(3) violation. The function of a charge is to set the Board's investigation in motion, not to confine the Board's inquiry to the precise particularizations as framed by the private complaining party. *N.L.R.B. v. Fant Milling Co.*, 360 U.S. 301, 307; *N.L.R.B.*

III. Substantial Evidence on the Whole Record Supports the Board's Finding That Petitioner Violated Section 8(a)(2) and (1) of the Act by Dominating and Interfering With the Formation and Administration of an Employees' Committee.

The day after the Board election, President Rowland called a special meeting of employees to thank them for their vote against the Union; at this time he directed them to select a committee to represent the employees with respect to "any problem that might come up" except wages (Tr. 88, 507). Employees were to channel their individual grievances through this committee, whose financial stability was assured by Rowland's donation of the proceeds of various vending machines in the plant (*supra*, p. 8).

Petitioner does not seriously dispute that its initiation and support of the Committee would constitute a clear violation of Section 8(a)(2) and (1) if the Board properly found this Committee to be a "labor organization" within the meaning of Section 2(5) of the Act.¹⁷ But in petitioner's view, the Board should not have found the Employee Committee to be a labor organization because it was merely a "social" organization, or

v. Waterfront Employers, 211 F. 2d 946, 955-956; *N.L.R.B. v. Dinion Coil Co.*, 201 F. 2d 484, 491 (C.A. 2). Beside, petitioner fails to explain how it has been prejudiced by the fact that the Board found a Section 8(a)(3) violation: the same cease and desist order would be appropriate even if the violation found had been classified under Section 8(a)(1).

¹⁷ See, e.g., *N.L.R.B. v. Link-Belt Co.*, 311 U.S. 584, 597-600; *Irving Air Chute Co. v. N.L.R.B.*, 350 F. 2d 176, 180-181 (C.A. 2); *N.L.R.B. v. Koehler's Wholesale Restaurant Supply Co.*, 328 F. 2d 770, 771 (C.A. 7); *N.L.R.B. v. Thompson-Ramo-Wooldridge, Inc.*, 305 F. 2d 807, 810 (C.A. 7).

“suggestion committee” (Br. 31). The Board’s decision, we submit, is correct.

Section 2(5) of the Act defines the term “labor organization” to include “any organization of any kind, or any agency or employee representation committee or plan, in which employees participate and which exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment or conditions of work.” This definition in the amended Act was carried over without change from the original Act. As pointed out in the Report of the Senate Committee which considered the identical provision in the original Act, the term “labor organization” was deliberately phrased “very broadly in order that the independence of action guaranteed by Section 7 of the bill and protected by Section 8 shall extend to all organizations of employees that deal with employers.” Report No. 573 on S. 1958, 74th Cong., 1st Sess., p. 7.¹⁸

¹⁸ Further illustrating this intent is the following excerpt from a memorandum prepared for the Senate Committee on Education and Labor, comparing the provisions of S. 1958 (which became law) with similar provisions in the bill proposed in the preceding Congress:

It has been argued frequently by employers as well as by protagonists of the bill last year that an *employee representation plan or committee arrangement* is not a labor organization or a union but simply a method of contact between employers and employees. But the Act is entitled to prescribe its own definition of labor organization, for its own purposes, and it is clear that unless these plans, etc., are included in the definition, whether they merely “deal” or “adjust” or exist for the purpose of collective bargaining, most of the activity of employers in connection therewith which we are seeking to outlaw would fall outside the scope of the Act. [Emphasis supplied.] [*Memorandum of March 11, 1935*, prepared for the Senate Committee on Education and Labor, comparing S. 1958 (74th Cong., 1st

Tested by this statutory definition, the Employee Committee inaugurated by petitioner is clearly a "labor organization" All of petitioner's employees participate in it, not only by electing its members but also by presenting to it—pursuant to Company direction—their own suggestions and grievances. Moreover, the Committee exists for the purpose, at least in part, of dealing with the Company concerning grievances and working conditions. As the Board pointed out, the Committee effectively dealt with the Company on such matters as improving lighting in the plant, providing for repair of employee tools at Company expense, establishing more convenient working facilities and initiating an employee loan fund.¹⁹ Since the Committee was thus used as a vehicle for presentation of employee grievances about working conditions, the Board was plainly entitled to characterize it as a labor organization. That it also may have served social functions does not exclude it from the coverage of Section 2(5). *N.L.R.B. v. Cabot Carbon Co.*, 360 U.S. 203; *American President Lines, Ltd. v. N.L.R.B.*, 340 F. 2d 490, 492-493 (C.A. 9); *Indiana Metal Products Corp. v. N.L.R.B.*, 202 F. 2d 613, 620-621 (C.A. 7); *N.L.R.B. v. Standard Coil Products Co.*, 224 F. 2d 465 (C.A. 1).

Petitioner challenges the Board's determination, on

Sess.) with S. 2926 (73d Cong. 2d Sess.), p. 22; reprinted in *Legislative History of the National Labor Relations Act, 1935*, G.P.O., 1949, p. 1347.]

¹⁹ Rowland's promise to establish the loan fund was not a firm one; he acknowledged, however, that he had agreed to grant the Committee's request if further study confirmed the feasibility of such a fund (Tr. 508-509).

this aspect of the case too, by pointing out that the Trial Examiner did not view the Committee as a "labor organization" (Br. 30-32). But here again, the Board did not disturb any credibility resolutions or fact findings of the Examiner. On this aspect of the case, too, the basic disagreement between the Board and the Examiner was not over basic facts, but over the significance of those facts and the inferences to be drawn therefrom. In deciding whether a given employee organization falls within the statutory definition of a labor organization, the Examiner's opportunity to see the witnesses testify provides him with no special advantage and his adoption of a divergent view is entitled to no special weight.

IV. Substantial Evidence on the Whole Record Supports the Board's Finding That the Company Violated Section 8(a)(5) and (1) of the Act by Refusing to Bargain With the Union on Request.

Having obtained signed authorization cards from 15 of the Company's 20 employees, the Union notified the Company that it was the majority representative and demanded recognition and bargaining. The Company acknowledges learning of this demand of February 5. Under settled principles, the Company was thereupon required to recognize and bargain with the Union; insistence upon a Board election instead would violate Section 8(a)(5) and (1) unless the Company had a good faith doubt of the Union majority status.²⁰ As this Court recently stated,

²⁰ *N.L.R.B. v. Security Plating Company, Inc.*, 356 F. 2d 725, 727 (C.A. 9); *N.L.R.B. v. Hyde*, 339 F. 2d 568, 570 (C.A. 9); *Sakrete of Northern California, Inc. v. N.L.R.B.*, 332 F. 2d 902, 908-909 (C.A. 9); cert. denied, 379 U.S. 961, rehearing denied, 380 U.S. 926; *Colson*

The refusal [to bargain] may not be motivated by a desire to forestall collective bargaining and provide an opportunity to undermine the union's majority status and rid the Company of the union." *Security Plating, supra*, 356 F. 2d at 727.

The Board found, in this case, that petitioner was motivated by a "desire to gain time in which to undermine the Union's majority status" (R. 55) in its failure to respond to the Union's request for bargaining. That finding, we submit, is solidly supported by the evidence. Not only did the Company undertake no inquiry into the Union's proof of majority status, it persisted in the unlawful anti-union campaign which had begun almost as soon as it learned that the employees were attempting to organize. We have already shown that President Rowland responded to the Union request for recognition by depriving employees of overtime, prohibiting employee discussions of the Union during coffee breaks, and announcing in a coercive fashion his opposition to the Union; Company supervisors interrogated employees about the Union activity and threatened them with a plant shutdown; later, the Company directed the establishment of a labor organization to be administered under its own auspices. This is not the conduct of an employer who has a good faith doubt of a union's majority status. Cases cited *supra*, p. 18.²¹

Corp. v. N.L.R.B., 347 F. 2d 128 (C.A. 8), cert. denied, 382 U.S. 904; *N.L.R.B. v. Economy Food Center, Inc.*, 333 F. 2d 468, 471-472 (C.A. 7); *N.L.R.B. v. Overnite Transportation Co.*, 308 F. 2d 279, 283 (C.A. 4); *Florence Printing Co. v. N.L.R.B.*, 333 F. 2d 289, 291-292 (C.A. 4); *Irving Air Chute Co. v. N.L.R.B.*, 350 F. 2d 176, 182 (C.A. 2); *Joy Silk Mills v. N.L.R.B.*, 185 F. 2d 732, 741 (C.A.D.C.), cert. denied, 341 U.S. 914).

²¹ Accord: *N.L.R.B. v. Parma Water Lifter Co.*, 211 F. 2d 258, 262-

The arguments advanced here by petitioner to show a good faith doubt all fade before the facts. Thus, the Company refers to an anti-Union petition which about 12 employees signed (Br. 16-17); but it is undisputed that this evidence of a loss of majority status did not appear until after Rowland's coercive conduct on February 5. It is true that the petition was circulated by several employees who were opposed to the Union from the start. But as the Board pointed out, the Union had achieved its majority status notwithstanding the conduct of these employees. It was not until the Company President intervened on February 5 that pro-Union employees began to defect. Obviously, petitioner cannot set up as defense the defections which its own unlawful conduct has produced. *Medo Photo Corp. v. N.L.R.B.*, 321 U.S. 678, 687; *N.L.R.B. v. Andrew Jergens Co.*, 175 F. 2d 130, 134 (C.A. 9). *N.L.R.B. v. Movie Star, Inc.*, 361 F. 2d 346, 351 (C.A. 5).²²

Nor does petitioner significantly advance its case by reference to President Rowland's self-serving testimony to the effect that he never believed the Union had a majority (Br. 16). Such a belief should be supported by some rational factual basis before it can be equated

263 (C.A. 9), cert. denied, 348 U.S. 829; *N.L.R.B. v. Gotham Shoe Mfg. Co.*, 359 F. 2d 684, 686 (C.A. 2); *Jas. H. Matthews & Co. v. N.L.R.B.*, 354 F. 2d 432, 439 (C.A. 8); *N.L.R.B. v. Elliott-Williams Co., Inc.*, 345 F. 2d 460, 463-464 (C.A. 7).

²² Besides Rowland admitted at the unfair labor practice hearing that he knew nothing of the anti-union petition until it was mentioned in the testimony at that hearing (Tr. 417). Manifestly, therefore, that petition cannot be considered as a basis for any good faith doubt at the time of the refusal to bargain. *N.L.R.B. v. Kellogg's Inc.*, 347 F. 2d 219, 220 (C.A. 9).

with a good faith doubt. (Cases cited *supra*, p. 18.) In this case, Rowland never sought to justify his belief by scrutinizing the Union's evidence or by conducting a non-coercive inquiry among the employees directly. Indeed, the record shows that the only employee who discussed this matter with Rowland at the time stated that the Union had the support of 90% of the employees (*supra*, p. 6).

Finally, petitioner relies upon the facts that (1) the Union's letter requesting recognition did not contain an express offer to prove its majority status and (2) the Union subsequently filed a petition for an election. But this Court has already squarely ruled that such matters do not raise a good faith doubt. *Security Plating Company, supra*, 356 F. 2d at 727-729.²³

In finding petitioner's conduct violative of Section 8(a)(5) and (1), the Board again reversed the Examiner. Again, petitioner relies on the Examiner's Report here to defend against the Board's order (Br. 16, 20-21, 28-29).

It is true, of course, that support for the Board's decision may be weakened when the Examiner has drawn a conclusion different from the Board's. *Universal Camera Corp. v. N.L.R.B.*, 340 U.S. 474, 496. But it is the Board's decision, not the Examiner's which is before this Court for review. And the ground rules of judicial review are the same whether the Board has agreed or disagreed with the Examiner. In either

²³ Accord: *N.L.R.B. v. Whitelight Product Division*, 298 F. 2d 12, 14 (C.A. 1), cert. denied, 369 U.S. 887; *N.L.R.B. v. Sunrise Lumber & Trim*, 241 F. 2d 620, 624 (C.A. 2), cert. denied, 355 U.S. 818; *N.L.R.B. v. Trimfit of California*, 211 F. 2d 206, 210 (C.A. 9).

situation, the question is whether substantial evidence supports the Board's result. *N.L.R.B. v. Waterfront Employers*, 211 F.2d 946, 953 (C.A. 9); *N.L.R.B. v. Dell*, 283 F.2d 733, 735 (C.A. 5); *Utica Observer-Dispatch, Inc. v. N.L.R.B.*, 229 F.2d 575, 577 (C.A. 2), cert. denied, 351 U.S. 988; *N.L.R.B. v. Pyne Molding Corp.*, 226 F.2d 818, 819 (C.A. 2); *N.L.R.B. v. Thomason Plywood Corp.*, 222 F.2d 364 (C.A. 4). In applying this test, the Court is obliged to accord the Examiner's conclusions no more weight than their inherent cogency warrants. In this case, we submit, the Examiner's decision rested, to a great extent, upon erroneous legal principles; accordingly, rejection of his conclusion does not significantly detract from the support for the Board's case.

Thus, the Trial Examiner took the view that the Union's filing of a petition relieved the Company of its obligation to honor the prior request for bargaining (R. 33). We have already shown that this is not the law (*supra*, p. 21). Further, the Examiner thought that the signature of the anti-union petition by several employees on February constituted an effective withdrawal of their authorization cards (R. 34). The Board, we have shown, properly ruled otherwise (*supra*, p. 20). Finally, the Examiner was persuaded that Rowland's conduct on February 7 constituted a sufficient retraction of the earlier coercive events (R. 34). This too, in the Board's judgment, was error. With the foregoing grounds for the Examiner's conclusion removed, little remains to support it. Rowland's own self-serving testimony, asserting a good

faith doubt, contrasts vividly against all the other evidence in the record. The Board could therefore properly reverse the Trial Examiner and draw a contrary inference from the facts. *N.L.R.B. v. Pyne Molding Corp.*, 226 F.2d 818, 819, 821 (C.A. 2); *N.L.R.B. v. Camco, Inc.*, 340 F.2d 803, 808 (C.A. 5), cert. denied, 382 U.S. 926; *N.L.R.B. v. Waterfront Employers*, 211 F.2d 946, 953 (C.A. 9); *N.L.R.B. v. Eclipse Lumber Co.*, 199 F.2d 684, 686 (C.A. 9); *N.L.R.B. v. Fitzgerald Mills Corp.*, 313 F.2d 260, 268 (C.A. 2).²⁴

V. The Board's Order Is Valid and Proper

A. *The Union did not "waive" its right to a bargaining order by participating in the Board election.*

The Board is clearly entitled to compel an employer to bargain with a union in order to remedy the kind of unlawful conduct involved herein, even where the union has subsequently lost its majority status because of employer unfair practices. *N.L.R.B. v. Andrew Jergens Co.*, 175 F.2d 130, 135, cert. denied, 338 U.S. 827, rehearing denied, 338 U.S. 882; *Sakrete of Northern California v. N.L.R.B.*, 332 F.2d 902, 909 (C.A. 9) and cases cited; *Gotham Shoe, supra*; *Movie Star, Inc., supra*. But petitioner argues that no bargaining order should have issued here because the Union "waived" its rights to such an order by participating in a Board

²⁴ We need not linger over petitioner's assertion that the "record discloses not one single act on the 5th that can be interpreted as a refusal to bargain" (Br. 15). It is undisputed that President Rowland on this date announced that he was opposed to the Union and subjected his employees to manifestly anti-Union reprisals; thereafter, he never replied to the Union's request for recognition. The Board could properly construe this conduct as a refusal to bargain.

election. In petitioner's view, the Union should have been compelled to make a binding choice between the two procedures available—a representation election or an unfair labor practice hearing—to establish its status. The two procedures, in petitioner's view, are “mutually inconsistent” (Br. 37).²⁵

The short answer to all this derives from *Bernel Foam Products Co.*, 146 NLRB 1277. There, the Board rejected the foregoing arguments and concluded that an invalid election should not preclude a union from resort to an unfair labor practice hearing; at this writing, every court of appeals which has had occasion to pass upon the issue has upheld the Board. *N.L.R.B. v. S.N.C. Mfg. Co.*, 352 F. 2d 361, cert. denied, 382 U.S. 902; *N.L.R.B. v. Frank C. Varney Co., Inc.*, 359 F.2d 774, 775-776 (C.A. 3); *Amalgamated Clothing Workers of American (Edro Corp.) v. N.L.R.B.*, 345 F.2d 264 (C.A. 2); *Irving Air Chute Co. v. N.L.R.B.*, 350 F. 2d 176, 182 (C.A. 2); *Colson Corp. v. N.L.R.B.*, 347 F. 2d 128, 138-139 (C.A. 8), cert. denied, 382 U.S. 904. As these cases squarely hold, the Board is entitled to issue a bargaining order, after Section 8(a)(5) proceedings, to remedy a situation where a union has lost both its majority status and an election because of improper employer conduct.

A more thorough answer requires analysis of the *Bernel Foam* decision itself, and of *Aiello Dairy*

²⁵ Petitioner's alternative suggestion that the 1947 amendments reveal a Congressional determination to require a secret ballot election as the exclusive means for establishing a union's status is clearly erroneous. Alternative modes of proof, before and after 1947, have been uniformly accepted. *United Mine Workers v. Arkansas Oak Flooring*, 351 U.S. 62, 71-72; cases cited *supra*, pp. 18-20.

Farms, 110 NLRB 1365. Prior to the decision in *Aiello*, the Board had repeatedly held—as it did in the instant case—that a union’s participation in an election did not constitute a waiver of its right to maintain a refusal to bargain charge based upon an employer’s pre-election conduct. The courts of appeals—including this Court—uniformly upheld the Board’s power to issue a bargaining order in these circumstances.²⁶ In *Aiello*, however, the Board adopted the rule here urged by petitioner. Now, after some 10 years of operating under *Aiello*, the Board has concluded upon further analysis and in light of its experience that *Aiello* should be overruled and that the former practice should be restored. *Bernel Foam, supra*.

First, it is erroneous to view a representation election and an unfair labor practice order as “mutually inconsistent” remedies. Technically, it is true, a representation petition rests on the premise that there is a question concerning representation to be resolved, while a Section 8(a)(5) charge is founded upon the contrary assumption that no such question exists because the union is the exclusive bargaining representative; but on closer analysis it become apparent that these proceedings are distinct, not inconsistent. Although, in filing a representation petition, the union asserts as a

²⁶ *N.L.R.B. v. Howell Chevrolet Co.*, 204 F.2d 79, 86 (C.A. 9); *N.L.R.B. v. Stow Mfg. Co.*, 217 F.2d 900 (C.A. 2), cert. denied 348 U.S. 964; *N.L.R.B. v. Model Mill Co.*, 210 F.2d 829 (C.A. 6); *N.L.R.B. v. Armco Drainage & Metal Products Co.*, 220 F.2d 573 (C.A. 6), cert. denied, 350 U.S. 838; *N.L.R.B. v. Southeastern Rubber Mfg. Co., Inc.*, 213 F.2d 11 (C.A. 5); see also, *Joy Silk Mills, Inc. v. N.L.R.B.*, 185 F.2d 732 (C.A.D.C.), cert. denied, 341 U.S. 914; *N.L.R.B. v. Caldarera*, 209 F.2d 265 (C.A. 8).

formal matter that a question concerning representation exists, the union has not, as a practical matter, altered its position that it represents the employees and is entitled to recognition. Rather, it is stating *the employer's assertion* of such a question: indeed it is the employer's refusal to bargain itself which generates the election procedure.

Further, where, as here, the employer engaged in unlawful conduct after the union filed its petition, the so-called "choice" which the union is forced to make under *Aiello*, between going to an election or filing a Section 8(a)(5) charge, is an unsatisfactory one with respect to both practical industrial realities and the statutory scheme. An election is a relatively swift and inexpensive way for the union to establish its majority status, but the union must be prepared to take the risk that employer conduct may preclude a fair election. The severity of this risk is amply demonstrated by the large number of cases in which elections are set aside on the basis of unlawful conduct by the employer during the period between the filing of the petition and the conduct of the election.²⁷ A Section 8(a)(5) proceeding, on the other hand, removes this uncertainty because the union need not be concerned about the effect which an employer's unlawful conduct may have on its preexisting majority status. Nevertheless, the representation route offers two distinct advantages which, as a practical matter, are likely to weigh heavily in a union's decision. First, and perhaps most appealing,

²⁷ *The Ideal Electric and Manufacturing Company*, 134 NLRB 1275.

it is considerably less time-consuming and costly than an unfair labor practice proceeding, and enables employees to obtain the representation they desire in relatively short order. A second advantage is that the certified union enjoys special and highly desirable benefits not applicable to other lawfully recognized unions.²⁸ Frequently, therefore, a union may find itself compelled to proceed to an election because of these considerations, irrespective of any fear that its majority status may have been dissipated by employer interference.²⁹ In short, as the Board has noted, the union's "choice" is a "difficult and rather dubious" one (*Bernel Foam, supra*).

As the irrevocable "choice" which confronts the union was created, not by its own acts, but by the employer's unlawful conduct, the harshness of the *Aiello* rule is readily apparent. Hence, the Board has concluded that

"there is no warrant for imposing upon the Union
* * * an irrevocable option as to the method it will
pursue in seeking vindication of the employees'
representation rights while permitting the offend-
ing party to enjoy at the expense of public policy
the fruits of such unlawful conduct. The fact that
in an election a vote favorable to the Union may

²⁸ For example, a Board certification normally protects the union's representative status for a minimum of one year, despite actual loss of majority. See *Ray Brooks v. N.L.R.B.*, 348 U.S. 96. Such certification also accords protection to the union, under Section 8(b)(4)(C) and 8(b)(7) of the Act, against certain organizational pressures from rival unions.

²⁹ See *Note*, 68 Harv. L. Rev. 1470-1472 (1955).

obviate for it the necessity for pursuing the unfair labor practice route does not, in our view, warrant requiring that the Union forfeit the right to request that the effect upon it of the employer's unlawful conduct be rectified when it develops that such conduct has been sufficiently onerous to interfere with the election and to cause a substantial deterioration in the union's [majority] status" (*Bernel Foam, supra*).

The *Aiello* "election of remedies" concept is deficient for still another reason. Where, after a petition is filed, employer interference precludes the exercise of employees' free choice, the election is a nullity and must be set aside. In these circumstances, it is wholly illusory to refer to the election process as an effective alternative remedy to a refusal-to-bargain proceeding. As the Board pointed out in *Bernel Foam*:

"[T]o hold * * * that by participating initially in an ultimately void election the Union irrevocably committed itself to the representation proceeding and, therefore, may seek a remedy only in another election, overlooks the fact that an election is not a remedy either in statutory concept or in reality. On the contrary, experience has demonstrated that a vast majority of the re-run elections' results favor the party which interfered with the original election. This clearly demonstrates the lingering effect of unacceptable electioneering conduct. Thus, in a majority of the cases another election can hardly be said to be an adequate remedy

for the employer's unlawful refusal to recognize the employees' designated majority representative which was followed by conduct which interfered with the employees' freedom of choice."³⁰

Finally, general policy considerations which come into play in the administration of the Act strongly militate against the *Aiello* rule. For *Aiello* flies in the face of the fundamental concept that the wrongdoer should not be permitted to profit from his own misdeeds at the expense of the wronged party. *Glus v. Brooklyn Eastern District Terminal*, 359 U.S. 231, 232; *Franks Bros. Co. v. N.L.R.B.*, 321 U.S. 702; *A.P.W. Products Co.*, 137 NLRB 25, 29-30, enf'd 316 F.2d 899, 904-906 (C.A. 2). To ignore the employer's unlawful conduct in first refusing to bargain and then engaging in pre-election interference with the employees' freedom of choice, as the *Aiello* rule does, is incompatible with the statutory mandate. "Indeed, it lends the Board's procedures as a tool to thwart the statutory rights of the majority of the employees involved and subverts the very purpose of the Act. It is to be hoped that an approach which denies an employer any benefit from its unlawful refusal to bargain will remove the motive for demanding unnecessary elections and diminish efforts

³⁰ See also, Pollitt, "NLRB Re-Run Elections: A Study," 41 N. Car. L. Rev. 209-224. On the basis of an analysis of 212 "employer caused" re-run elections conducted under Labor Board supervision during a recent 33-month interval, the author concluded that the objecting union only won 30 percent of such re-run election (*id.* at 212). By contrast, unions generally win about 60 percent of the Board's elections. *Twenty-Eighth Annual Report, NLRB*, p. 18 (G.P.O. 1964).

to undermine the will of the employees * * *.” (*Bernel Foam, supra*).

The “election of remedies” rule set forth in *Aiello* does not, of course, rest upon a statutory command. Rather, the ultimate issue presented is whether the Board properly exercised its discretion in fashioning a remedy where the employer has unlawfully refused to recognize the union *and* has unlawfully interfered with an election. As the courts have repeatedly recognized, the choice of remedy and the means of determining the employees’ sentiment are matters peculiarly within the Board’s broad discretion. *Franks Bros. Co. v. N.L.R.B.*, 321 U.S. 702; *N.L.R.B. v. Seven-Up Bottling Co.*, 344 U.S. 344, 351-352; *N.L.R.B. v. A. J. Tower Co.*, 329 U.S. 324, 330-331; *Joy Silk, supra*, 185 F.2d at 741-745. Indeed, in approving a bargaining order under circumstances virtually identical to those here, the court in *Joy Silk* relied on the following language from *Franks Bros.*: “It is for the Board not the courts to determine how the effect of prior unfair labor practices may be expunged. * * * That determination the Board has made in this case and in similar cases by adopting a form of remedy which requires that an employer bargain exclusively with the particular union which represented a majority of the employees at the time of the wrongful refusal to bargain despite that union’s subsequent failure to retain its majority. * * * That the Board was within its statutory authority in adopting the remedy which it has adopted to foreclose the probability of such frustration of the Act seems too plain for anything but statement.”

The considerations outlined above fully justified the Board, we submit, in reversing *Aiello* and reverting to its former practice. But it should be emphasized that, under the limited scope of judicial review here applicable, it is enough that the Board's decision lies within the scope of its statutory power and is rationally supported. For here, as in *N.L.R.B. v. Seven-Up Bottling Co.*, 344 U.S. 347, the matter is one committed to administrative discretion; "it is not for us [the courts] to weigh these or countervailing considerations." 344 U.S. at 348. "The constant process of trial and error, on a wider and fuller scale than a single adversary litigation permits, differentiates perhaps more than anything else the administrative from the judicial process." *Seven-Up*, *supra*, 344 U.S. at 349.³¹

The propriety of applying the *Bernel Foam* doctrine retroactively was recognized in the cases cited *supra*, p. 24. It is the function of an administrative agency, as of a court, to decide the case before it in the manner that it deems proper, without necessarily being bound by the rules evolved in previous cases. *Metropolitan Life Insurance Co. v. N.L.R.B.*, 328 F. 2d 820, 828 (C.A. 3), vacated and remanded on other grounds, 380 U.S. 523; *Helvering v. Hallock*, 309 U.S. 106, 121; *Washington v. Dawson & Co.* (Brandeis, J., dissenting), 264 U.S. 219, 238; *N.L.R.B. v. A.P.W. Products Co.*, 316 F. 2d 899, 905 (C.A. 2); *Leedom v. IBEW*, 278 F. 2d 237, 242-244 (C.A.D.C.); *N.L.R.B. v. Olaa Sugar Co.*, 242

³¹ In *Seven-Up*, the Supreme Court approved a substantial change in the Board's method of computing backpay after the Board had followed a different policy for 15 years. See also, *N.L.R.B. v. A.P.W. Products Co.*, 316 F. 2d 899, 904-905 (C.A. 2).

F.2d 714, 721 (C.A. 9). The case at bar is hardly a situation where it may be contended that the protection of the Act was removed from one who had relied on it (*Pedersen v. N.L.R.B.*, 234 F.2d (C.A. 2)); nor is it a case in which elements of "entrapment" exist (*N.L.R.B. v. Int'l Brotherhood of Teamsters*, 225 F. 2d 243, 348 (C.A. 8)). It would be "rather fanciful" to imagine that the Company engaged in its unfair labor practices in reliance on a past Board decision holding that the Union would have the right to resort to either a representation proceeding or an unfair labor practice proceeding, but not both. See, *A.P.W. Products Co.*, *supra*, 316 F. 2d at 906; *N.L.R.B. v. Gottfried Baking Co.*, 210 F. 2d 772, 781 (C.A. 2).³²

B. The bargaining order should be sustained even if there is a defense to the Section 8(a)(5) violation.

It should also be noted that the Board's remedy is premised in the alternative on the Section 8(a)(1) violations found, because the Union's loss of actual

³² Petitioner is correct, of course, in noting that authorization cards are not always a reliable indicator of employee sentiment. But most of the Company's statistical support for its challenge to the reliability of such cards (Br. 17-18), derives from a context where 2 or more rival unions are engaged in organizing campaigns, and where duplications are likely to occur. See *Sunbeam Corp.*, 99 NLRB 546, 550-551. Besides, the remedial problem before the Board is created by virtue of the fact that the Company has engaged in conduct which, in this case, precludes the holding of a fair election. And this record is barren of evidence indicating why, in this case, the authorization cards should not be accepted at face value. Compare *N.L.R.B. v. Peterson Brothers, Inc.*, 342 F. 2d 221 (C.A. 5); *Englewood Lumber Co.*, 130 NLRB 394, 395, involving evidence of an ambiguity on the face of the card or misrepresentation by the union solicitors.

majority status was clearly attributable to the employer's unfair labor practices. Accordingly, the Board concluded that effectuation of the policies and purposes of the Act required the issuance of a bargaining order herein even if there were no unlawful refusal to bargain (R. 55). The order is properly based on the Section 8(a)(1) violations alone, for among the purposes which the Board may attempt to accomplish in framing an appropriate remedy for unfair labor practices is a "restoration of the situation, as nearly as possible, to that which would have obtained but for" the unfair labor practices, *Phelps Dodge Corp. v. N.L.R.B.*, 313 U.S. 177, 194. Where petitioner's "illegal interference with its employees' rights did cause the union's loss of majority status," the Sixth Circuit recently stated, "it seems to be well within the NLRB's discretion to seek a remedy which would effectively restore the status quo ante. It seems most unlikely that a simple cease and desist order could be expected to accomplish this result." *N.L.R.B. v. Delight Bakery, Inc.*, 353 F.2d 344, 347. Accord: *Int'l Union, United Automobile, Aerospace, etc. v. N.L.R.B. & Aero Corp.* — F.2d —, 62 LRRM 2361, 2364 n. 7 (C.A.D.C.); *Local No. 152 Int'l Brotherhood of Teamsters v. N.L.R.B.*, 343 F.2d 307, 309 (C.A.D.C.); *D. H. Holmes Co. v. N.L.R.B.*, 179 F.2d 876, 879-880 (C.A. 5); *Summit Mining Corp. v. N.L.R.B.*, 260 F.2d 894, 900 (C.A. 3); *N.L.R.B. v. Caldarera*, 209 F.2d 265, 268 (C.A. 8); *Piascecki Aircraft Corp. v. N.L.R.B.*, 280 F.2d 575, 591-592 (C.A. 3); *Editorial "El Imparcial," Inc. v. N.L.R.B.*, 278 F.2d 184, 187 (C.A. 1).

The Board's bargaining order, of course, allows a representation election after the Company has bargained with the Union for a reasonable time. The imposition of any greater limitation—that is, a requirement that the Union first win an election before being given bargaining authority—was summarily rejected by the Supreme Court in *N.L.R.B. v. International Union, Progressive Mine Workers of America*, 375 U.S. 396, reversing *per curiam* in this respect 319 F. 2d 428, 437 (C.A. 7). As the Second Circuit stated in *N.L.R.B. v. Philamon Laboratories, Inc.*, 298 F. 2d 176, 182-183, cert. denied, 370 U.S. 919, after pointing to the unconditional bargaining orders approved in *Franks Brothers Co. v. N.L.R.B.*, 321 U.S. 702, and *N.L.R.B. v. Stow Mfg. Co.*, *supra*, 217 F. 2d 900:

Even without such established precedents, we would be hard pressed to reject this exercise of the Board's remedial powers. The Union lost majority status because of respondent's violations of the law. The only effective remedy left in the present case is the requiring of recognition. And, indeed, as far as future cases are concerned, a denial of power to the Board might well encourage employers to refuse to bargain, commit the ancillary violations, fight the unfair labor practice charges to the courts, and then rely upon the inevitable intervening turnover in personnel to ward off the only effective remedy remaining. In any case, we cannot say such a rationale way not be adopted by the specialized agency entrusted by Congress with the principal enforcement duties under the Act.

CONCLUSION

For the reasons stated, it is respectfully submitted that the petition for review should be denied, and that a decree should issue enforcing the Board's order in full.

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September, 1966.

CERTIFICATE

The undersigned certifies that he has examined the provisions of Rules 18 and 19 of this Court and in his opinion the tendered brief conforms to all requirements.

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National Labor Relations Board

APPENDIX A

The relevant provisions of the National Labor Relations Act, as amended (61 Stat. 136, 73 Stat. 519, 29 U.S.C., Secs. 151, *et seq.*) are as follows:

RIGHTS OF EMPLOYEES

Sec. 7. Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and shall also have the right to refrain from any or all of such activities except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized in section 8 (a) (3).

UNFAIR LABOR PRACTICES

Sec. 8 (a) It shall be an unfair labor practice for an employer—

(1) to interfere with, restrain, or coerce employees in the exercise of the rights guaranteed in section 7;

(2) to dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it; * * *

(3) by discrimination in regard to hire or tenure of employment or any term or condition of employment to encourage or discourage membership in any labor organization;

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(5) to refuse to bargain collectively with the representatives of his employees, subject to the provisions of section 9 (a).

* * * *

PREVENTION OF UNFAIR LABOR PRACTICES

Sec. 10 * * *

(c) * * * If upon the preponderance of the testimony taken the Board shall be of the opinion that any person named in the complaint has engaged in or is engaging in any such unfair labor practice, then the Board shall state its findings of fact and shall issue and cause to be served on such person an order requiring such person to cease and desist from such unfair labor practice and to take such affirmative action including reinstatements of employees with or without back pay, as will effectuate the policies of this Act: * * *

* * * *

(e) The Board shall have power to petition any court of appeals of the United States, . . . within any circuit . . . wherein the unfair labor practice in question occurred or wherein such person resides or transacts business, for the enforcement of such order and for appropriate temporary relief or restraining order, and shall file in the court the record in the proceedings, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition, the court shall cause notice thereof to be served upon such person, and thereupon shall have jurisdiction of the proceeding and of the question determined therein, and shall have power to grant such temporary relief or restraining order as it deems just and proper, and to make and enter a decree enforcing, modifying, and enforcing as so modified, or setting aside in whole or in part the order of the Board. No objection that has not been

urged before the Board, its member, agent, or agency, shall be considered by the court, unless the failure or neglect to urge such objection shall be excused because of extraordinary circumstances. The findings of the Board with respect to questions of fact if supported by substantial evidence on the record considered as a whole shall be conclusive.

* * * * *

(f) Any person aggrieved by a final order of the Board granting or denying in whole or in part of relief sought may obtain a review of such order in any circuit court of appeals of the United States in the circuit wherein the unfair labor practice in question was alleged to have been engaged in or wherein such person resides or transacts business or in the United States Court of Appeals for the District of Columbia, by filing in such court a written petition praying that the order of the Board be modified or set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Board, and thereupon the aggrieved party shall file in the court the record in the proceeding, certified by the Board, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition, the court shall proceed in the same manner as in the case of an application by the Board under subsection (e) of this section, and shall have the same jurisdiction to grant to the Board such temporary relief or restraining order as it deems just and proper, and in like manner to make and enter a decree enforcing, modifying, and enforcing as so modified, or setting aside in whole or in part the order of the Board; the findings of the Board with respect to questions of fact if supported by substantial evidence on the record considered as a whole shall in like manner be conclusive.

FEB 14 1967

No. 20,508

United States Court of Appeals
For the Ninth Circuit

MASTER TRANSMISSION REBUILDING COR-
PORATION & MASTER PARTS, INC.,

Petitioner,

vs.

NATIONAL LABOR RELATIONS BOARD,

Respondent.

Petition to Review, and on Cross-Petition for Enforcement of
an Order of the National Labor Relations Board

PETITIONER'S REPLY BRIEF

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On Petition to Review, and on Cross-Petition for Enforcement of
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PETITIONER'S REPLY BRIEF

ARGUMENT

The Respondent, National Labor Relations Board, in its counterstatement of the case, in general states the facts as found in the record. However, its conclusions and opinions contained therein are erroneous, as will be hereinafter discussed.

I.

THE SUBSTANTIAL EVIDENCE AND THE WHOLE RECORD DOES NOT SUPPORT THE FINDINGS OF THE BOARD THAT THE COMPANY INTERFERED WITH AND RESTRAINED AND COERCED ITS EMPLOYEES IN VIOLATION OF THEIR STATUTORY RIGHTS GUARANTEED BY SECTION 7 OF THE ACT, OR PROHIBITED BY SECTION 8(a)(1) OF THE ACT.

The Respondent argues that the interrogation of employees Chevoya and Napier, on or about January

27, 1964, by Supervisors Lawley and McGuinigie constituted a violation of the Act because these employees were accused of being "ring leaders" and that they were admonished that President Rowland would move the plant rather than allow it to be organized. Careful reading of the testimony and records shows that Mr. McGuinigie, a supervisor without any labor relations authority, made a "facetious" remark that Mr. Rowland could buy a desert island and move his plant there. (Tr. 157:1-8.)

Such conduct does not violate Section 8(a)(1) and is privileged as a right of free speech under Section 8(c).¹ It is a mere expression of opinion, not authorized, ratified or supported in any way by other facts or evidence.

To show that such a statement violates Section 8(a)(1), the interrogation, to be violative, must interfere with, restrain or coerce the employees in the exercise of their rights under Section 7. No such evidence appears in the record. We submit that it is "too thin a crust" for the Board to rely upon in making its order to bargain (*NLRB v. Dan River Mills Inc.*, 274 F. 2d 381.)

Insofar as Mr. Chevoya being asked if he was a ring leader, unless such statement is coupled with

¹"(c) The expressing of any views, argument, or opinion, or the dissemination thereof, whether in written, printed, graphic, or visual form, shall not constitute or be evidence of an unfair labor practice under any of the provisions of this Act, if such expression contains no threat of reprisal or force or promise of benefit."

promises of benefit or threats of reprisal, it does not violate the Act.

NLRB v. Council Manufacturing Corp., 344 F. 2d 161;
NLRB v. Trumbull Asphalt, 327 F. 2d 841, 844;
Beaver Valley Canning Co. v. NLRB, 332 F. 2d 429, 433.

Although Mr. Rowland did not know of these conversations on February 7th, he did refute same when he told the employees they could vote for or against and he would not engage in any reprisal.

The Respondent again argues, contrary to the Trial Examiner's findings, that the interrogation by Mr. Rowland of employees Anderson and Chevoya on or about February 7, 1964 violated Section 8(a)(1) of the Act. Mr. Chevoya came into the office and asked to talk to Mr. Rowland in regard to the tardiness notice which had been posted. The conversation as related by Mr. Chevoya clearly shows that there was no restraint, coercion or interference in this conversation. He was told by Mr. Rowland to vote for the Union if he thought this was in his best interests, and to do what was best for him and his family. (TR 197:4-18; 198:3-7; 416:8-11.) The Trial Examiner found, after considering all the evidence, that there was no coercion or discrimination in posting the tardiness notice. (TXD p. 10, par. 10.)

The Board, in reversing the Trial Examiner, concluded that the tardiness notice was intended to serve as a reprisal against employees for engaging in union

activities. (R. 51:1.) The Respondent argues that the Company had “condoned this practice for years.” The evidence does not support this conclusion. The tardiness notice had been posted on previous occasions.

Insofar as the interview with employee Anderson, in changing his wage rate to conform to the Fair Labor Standards Act, the Trial Examiner found absolutely no evidence that this interrogation was coercive. He found that “Mr. Rowland was the more reliable witness”. (TXD 9:50; 11:55-60; TR 12:55.)

On February 5, five employees (Manuel B. Viayno, Gene M. Eagles, Harold Anderson, Dave Williams and Fay Hill) who signed authorization cards changed their minds and signed the anti-Union petition. Not one of these employees testified that he signed the petition because of any conduct of the Employer. At the hearing, General Counsel never asked them why they signed the petition. All the evidence in the record shows that cause of the employee defection was the vigorous campaigning of a group of employees led by Wilson and Nuzzolese, without the knowledge of the Employer.

The evidence shows and the record shows that the petition was signed by employees exercising their rights guaranteed by Section 7 of the Act, free from Employer restraint, coercion or interference.

These employees did, in fact, voluntarily withdraw their majority support from the Union. How can the Employer be found guilty of illegally coercing them into doing what they had already legally done? The change of mind of employees can destroy a union's

majority. (*Fort Smith Broadcasting v. NLRB*, 341 F. 2d 874, 881.)

II.

THE SUBSTANTIAL EVIDENCE AS A WHOLE DOES NOT SUPPORT THE BOARD'S FINDING THAT THE COMPANY VIOLATED SECTION 8(a)(3) OF THE ACT IN REDUCING WORKING HOURS ON FEBRUARY 5, 1964.

The Respondent argues that Rowland told the employees on February 5 that if they wanted Union conditions, he would give them a Union work week and reduce their hours of employment by 6½ hours per week. The uncontroverted testimony of all witnesses showed that the "core pile" was low, that the employees were engaged in a make-work program, that there was not enough work for the employees to perform, and that there was valid economic justification for the reduction in hours. (TR 7:10.) He stated on February 5 that he was going to eliminate the Saturday overtime constituting a loss of 4 hours a week and was going to extend the lunch period from ½ hour to one hour. He did, nevertheless, upon advice of counsel, restore the 4-hour Saturday overtime when he made his talk to the employees on February 7. He further explained to the employees at this time that they had a right to vote as they pleased, and that he would not discriminate against any employee because of Union activity. In weighing the evidence, the Trial Examiner found this to be an adequate retraction. The effect, if any, of this threatened reduction in overtime was completely dissipated and did not inter-

fere with, restrain or coerce these employees in the exercise of their rights under Section 7 or in the exercise of their right to cast an uncoerced ballot at the election which was held on February 24, 1964. The Trial Examiner found that the Employer left the 1-hour lunch period in effect for purely economic reasons. (TXD 13:5-10, 15-20; 15:55.)

The Board finds that this reduction of overtime was a violation of Section 8(a)(3) of the Act, again reversing the Trial Examiner. As set forth in Petitioner's original Brief, this Employer, in the final amended complaint, was never charged with an 8(a)(3) violation. The Respondent argues and relies upon *NLRB v. Fant Milling Co.*, 360 U.S. 301, 307, in upholding its right to add the 8(a)(3) unfair labor practice to the unfair labor practices already filed. (Resp. Brief p. 14.) The facts in *NLRB v. Fant Milling Co.*, supra, can be differentiated. In that case, the employer continued to engage in unfair labor practices after the unfair labor practice charge was filed, and the Board based part of its decision on the subsequent conduct. In the present case, the final and third amended charge was filed July 15, 1964, alleging the Employer's conduct in January and February as the basis for the charge.

The previous charges, filed March 2, 1964 and June 1, 1964, alleged the 8(a)(3) violation; however, after investigation, the third amended charge eliminated this 8(a)(3) allegation. No conduct of the Employer as alleged was found to exist after February 7, 1964 as it would relate to this case. If the Union and the

National Labor Relations Board are to permit the deletion of an unfair labor practice charge by amendment, based upon preexisting facts or conduct, the Board's decision should not go beyond the scope of the unfair labor practice charge. Thus, the 8(a)(3) violation as found by the Board should be dismissed.

III.

THE BOARD REVERSED THE TRIAL EXAMINER AND, CONTRARY TO THE SUBSTANTIAL EVIDENCE, FOUND THAT THE PETITIONER VIOLATED 8(a)(2) OF THE ACT.

The day after the National Labor Relations Board held the election, President Rowland called a meeting of the employees and thanked them for their vote against the Union and suggested that a committee be formed to discuss problems affecting production, but clearly said that the committee was not to discuss wages or working conditions, or was it to be considered a labor organization. (TR 411:16-19; 412:20-22.) Since this activity was "post election" conduct, it could have no effect in restraining, coercing or interfering with the election as such, insofar as an 8(a)(1) violation is concerned. Insofar as an 8(a)(2) violation, the Trial Examiner found that the committee was not a labor organization. (TXD 14:25-55.)

The Respondent argues that the Employer encouraged the formation of and agreed to finance the committee! This is contrary to the evidence.

The Respondent states (on page 15 of their Brief): "Employees were to channel their individual griev-

ances through this committee, whose financial stability was assured by Rowland's donation of the proceeds of various vending machines in the plant." The clear, uncontroverted evidence shows that the proceeds of the various vending machines were given to the employees for the sole purpose of holding their annual picnic or "beer bust" at Millerton Lake. (TR 413:15, 16.) There is no evidence that the moneys from these machines were to be used to finance the committee in any way. It is a finding not supported by evidence. The Respondent argues that the committee effectively dealt with the Company in such matters as "lighting" for the plant, and providing for repair of employee tools at Company expense. There is nothing in the Act that prohibits an employee from talking to his employer regarding such activity, whether or not he has a union representative or a collective bargaining agreement.

IV.

THE SUBSTANTIAL EVIDENCE AS A WHOLE SUPPORTS THE TRIAL EXAMINER IN HIS DECISION IN FINDING THAT THE COMPANY DID NOT VIOLATE SECTION 8(a)(5) AND (1) OF THE ACT BY REFUSING TO BARGAIN WITH THE UNION ON REQUEST.

The Board, in its Decision and Order, found the Employer guilty of refusal to bargain. In doing so, it completely reversed the Trial Examiner and ignored the real issue in this case. The Trial Examiner, at the close of the hearing, when the testimony and evidence was fresh in his mind, stated:

“... I know you are all, you all view this case in the light of the Bernel Case, and of similar nature, for there are things which occur to me in that connection which I am somewhat concerned about.

“Now, what is the effect of filing three different majorities at different times? I have got a statement here filed by opponents of the union with names on, a petition which was circulated. You have got the tally of ballots in an election, and you have got the union cards.

“Does that give the cases a different twist? I don't know.

“Then there are these other items, and one of them I am thinking of, too, that I don't know what it might be, but here you have a group of individuals who do not want the union, as I recollect, it, there was no testimony here or any evidence which would make them any agent of the employer, or of individuals doing any bidding of his, and they were acting independently under the leadership of this young man [Wilson] who testified, who seems to be very strongly opposed to the union.

“Now, the question I ask you is this. Supposing the employer is found to have committed certain unfair labor practices, does it follow from that that all of these employees shall have as their representative the union here involved?” (RT 517, 518.)

After briefs were filed by the parties, the Trial Examiner's ruling ruled that there was no 8(a)(5) violation. We believe the Board has completely

ignored the rights of the employees under Section 7 of the Act. The Union obtained 15 authorization cards from 20 employees during the month of January 1964. It is settled law that if a union represents a majority of the employees on the date that it requests recognition, there is imposed on the employer a duty to bargain, unless the employer has a good faith doubt of the union's majority status. The duty to bargain is not imposed until the employer actually receives the request. In this case, the Employer was notified of the Union's majority status on February 5 and on the same date received a petition for election which had been filed February 4 by the Union. The Board, in its decision, found that the Employer was motivated by a desire to gain time in which to undermine the Union's majority status (R. 55) by its failure to respond to the Union's request for bargaining. This conclusion is completely contrary to the findings of the Trial Examiner who held that this was not the conduct of an employer who desired to gain time to undermine the Union's majority. (TXD 13:45; 12:35.) The Employer's counsel immediately, on February 6, wrote to the Union, stating that the Employer would consent to the election. On February 7, the employees were told that the Employer would consent to an election and that they had a right to vote for or against the Union, without Employer interference.

The real crux of this case is the fact that a majority of the employees themselves repudiated the Union on February 5. The anti-Union petition which was signed by 12 employees on February 5 out of a unit of 18

employees clearly shows that the Union had lost its majority on that date. The Trial Examiner found that the cause of this employee defection was the "independent intervening acts of a group of anti-Union employees led by employees Wilson and Nuzzolese." (TXD 6:10; 14:5.) He found that the defection from the Union was *not* caused by Mr. Rowland's speech of February 5. (TXD 14:5.) He found that it was the "vigorous anti-Union campaign" of these employees that caused the loss of the Union's majority. (TXD 14:5.) The Board states in its decision and the Respondent argues on brief that "... the Union had achieved its majority status notwithstanding the conduct of these employees." It was not until the Company President intervened on February 5 that pro-Union employees began to defect. (Resp. Brief p. 20.) This statement and conclusion is completely unsupported by the evidence. The evidence shows that the Union achieved its majority status on or about January 27. The anti-Union petition is dated February 5, 1964 and all signatures were obtained on that date, so it is obvious that the Union did not achieve its majority status *notwithstanding the conduct of these employees*, but that the Union lost its majority status because of the vigorous conduct of these employees. The Respondent would have this Court believe that it was the speech of the Company's President that caused these employees to defect. There is not one bit of evidence to show but what the anti-Union petition was signed before Mr. Rowland made the speech in the afternoon of February 5 and, as previously stated, the Trial Examiner found that it was not Mr. Row-

land's speech that caused the employees to sign this petition. The Trial Examiner stated:

"While the General Counsel may argue that this lack of majority was caused by the speech of Rowland on February 5, and the prior interrogations, that argument does not give due consideration to the vigorous anti-union campaign of Wilson and Nuzzolese which was an independent, intervening cause of the election results." (TXD 14:1-5.)

Even if the Employer had refused to bargain on February 5, as found by the Board, he had no duty to do so because of his good faith doubt of the Union's majority status.

The Board, in *Palmer Asbestos & Rubber Co. v. NLRB*, 63 LRRM, at 1056, stated:

"A showing of good faith doubt . . . requires more than the employer's mere assertion of it and more than proof of the employer's subjective state of mind. The assertion must be supported by *objective* considerations. The applicable test as defined by the *Celanese* case, 95 NLRB 664, 672, is whether or not objective facts furnish a reasonable basis for asserting doubt, or put it another way, whether or not there is some 'reasonable ground' for believing the union has lost its majority status. . . ."

If a "good faith doubt" is to be considered by objective facts, they certainly exist in this case, to wit:

1. The extrinsic evidence shows that a majority of the employees withdrew their support when they executed the anti-Union petition on February 5.

2. The conduct of the Employer in consenting to an election immediately would be an inference that he did not believe the Union had a majority status.

3. Company supervisors advised Mr. Rowland on February 5 that the employees were "split down the middle."

4. Witnesses testified that some of the employees who had previously signed cards were "strictly on the fence," and wanted to be with the majority. (TR 194, 242.)

5. General Counsel's witness Chevoya testified that they were split down the middle and there was much turmoil between the factions.

6. The fact that the Company did not engage in any campaign against Union organization after the meeting of February 7, 1964.

7. The fact that the Union did not offer to prove its majority or further request bargaining.

The only statement by anyone in the entire record which would indicate that the Employer had any knowledge of the majority status of the Union was allegedly made by Mr. Chevoya to Mr. Rowland on February 7, at which time he is purported to have said that 90% of the employees had signed authorization cards. This statement, of course, would have absolutely no effect if the employees had already withdrawn their support two days before, on February 5. Mr. Chevoya did not testify that he made such a statement.

We believe the record evidence and extrinsic evidence clearly support the Employer's "good faith

doubt", if he should be required to have one. However, since the majority of the employees had already repudiated the Union as of this date, there could be imposed no duty to bargain on or after February 5, 1964.

The Respondent cites *NLRB v. Security Plating Company*, a decision by this Court, 356 F. 2d at 727, in support of its holding that the Union does not need to offer to prove its majority status. The facts here differ. In *Security Plating Co.*, supra, the employer polled his employees and they voted for a union. He immediately thereafter made a coercive speech and polled them again and obtained a different result. It appears only logical that if the Union files a petition for an election, it should thereafter request bargaining if it desires bargaining after it has filed a petition for election, and this was not done. We submit that the Trial Examiner, in his decision, finding that there were no violations of 8(a)(5) was completely supported by the evidence and his findings of credibility should be upheld under the rules set down by *Universal Camera Corp. v. N.L.R.B.*, 340 U.S. 474.

V.

THE BOARD'S ORDER TO BARGAIN IS INVALID AND IMPROPER.

Respondent argues that the "Board is entitled to compel an employer to bargain with a union in order to remedy the conduct involved here, even where the union has subsequently lost its majority status because of the Employer's unfair labor practices."

Under *Bernel Foam Products Co.*, 146 NLRB 1277, the Board reversed its former *Aiello Dairy Farms* doctrine, 110 NLRB 1365, and concluded that the Board did have a right to set aside an election and make its order requiring the employer to bargain with the union upon request. All of the cases cited at page 24 of Respondent's Brief were cases in which the employer had either refused to bargain with the union after the union had offered to present authorization cards to prove its majority, or had checked authorization cards and refused to bargain, or the employer had himself filed a petition for election and refused to bargain with the union to obtain a delay, facts not present here.

In applying the *Bernel Foam* doctrine, the Board must ascertain that the loss of majority status was the result of the Employer's unfair labor practices, but here we have strong, convincing evidence to support the fact that the loss of majority was occasioned by the "independent intervening acts" of a group of anti-Union employees.

Real danger is ever present when the Board applies its *Bernel Foam* doctrine, in that it may be forcing an unwanted union upon the uncoerced majority of the employees in the bargaining unit. Section 7 of the Act provides:

"Employees shall have the right to self-organization, to form, join or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and

shall also have the right to refrain from any or all of such activities . . .” (Emphasis added.)

This section protects the majority of the employees' rights to *refrain* from union activity as well as it protects the rights of the employees to *engage* in union activity.

The substantial evidence here shows that the majority of the employees withdrew adherence to the Union some time on February 5. The Trial Examiner found that the Union did not represent a majority after February 4 (TXD 13:50-60), and found that this loss of majority status was not occasioned by any of the Employer's unfair labor practices, thus an order to bargain is a clear violation of the rights guaranteed the employees under Section 7. The Board is doing here what the employer is prohibited from doing, i.e., it is restraining, coercing and interfering with employees in the exercise of their rights guaranteed under Section 7. The Board's order to bargain imposes a collective bargaining representative upon the employees, when the majority had clearly indicated they did not want the Union. The tally of ballots at the election (TXD 8:35-45) showed that 12 employees voted against the Union, the identical number found on the anti-Union petition—apparently there was no change between February 5 and February 24, a fact ignored by the Board in its Brief.

The Trial Examiner recommended that the Board's remedy in this case should be the directing of a new election at some later time when the effects of the

Employer's unfair labor practice had been dissipated. The Respondent argues that "... in a majority of the cases another election can hardly be said to be an adequate remedy for the employer's unlawful refusal to recognize the employees' designated majority representative which was followed by conduct which interfered with the employees' freedom of choice"; Respondent cites Pollitt, "*NLRB Re-Run Elections: A Study*", 41 N. Car. L.Rev. 209-224, wherein

"On the basis of an analysis of 212 'employer caused' re-run elections conducted under Labor Board supervision during a recent 33-month interval, the author concluded that the objecting union only won 30 percent of such re-run elections (id. at 212). By contract, unions generally win about 60 percent of the Board's elections. Twenty-Eighth Annual Report, NLRB, p. 18 (G.P.O. 1964)."

The Respondent argues further: "On the contrary, experience has demonstrated that a vast majority of the re-run elections' results favor the party which interfered with the original election." We believe that the results of this Study are the opposite. This Study shows that 70% of the *re-run* elections result in a majority vote against the Union. This indicates that in 70% of the cases, where employees have voted against the union in the first election, they will vote against the union in the second election. If we did follow this logic, the application of the *Bernel Foam* doctrine would result in the Board's requiring the Employer to bargain for his employees where, if the employees were given their free, uncoerced choice,

70% of the time they would have chosen not to be represented by a union.

The Board, in its recent decisions, has been ignoring the fact that employees are generally intelligent human beings, not easily swayed by isolated statements made by an employer or a union, and that an employee, knowing that he can cast a secret ballot with nobody knowing how he voted, will cast same according to the dictates of his own conscience. This is the very reason that Congress provided for the election procedure in Section 9 of the Act.

As stated in Petitioner's original Brief, we do not believe there should have been a retrospective application of *Bernel Foam*, as this Employer and his counsel, when the Union filed a petition for election, relied upon this petition, knowing that the Union had elected its method of determining its representative status (under *Aiello*). To avoid any possibility of being accused of delaying to undermine the majority status of the Union, the Employer immediately consented to the election and engaged in no acts whatsoever of campaigning against the Union, on or after February 7, 1964. As the record shows, there was complete freedom of Employer activity between February 7 and February 24, the date of the election. (See TXD 13:25.)

The Respondent further argues that the bargaining order should be sustained, "*even if there is a defense to the Section 8(a)(5) violation*". This argument is premised upon the fact that the Board found that the Union's loss of actual majority status was attributable

to the Employer's unfair labor practices and accordingly, the Board concluded that the "effectuation of the policies and purposes of the Act required the issuance of a bargaining order herein even if there were no unlawful refusal to bargain". (RB 32, 33.) However, the Board's conclusion that the Petitioner's legal interference with its employees' rights did cause the Union's loss of majority status is not supported by the evidence, as previously set forth.

It appears that the National Labor Relations Board, in its recent decisions, has made its order to bargain against an employer as a penalty for his engaging in unfair labor practices and is forcing and requiring the employer to recognize the union on the basis of authorization cards signed and obtained by the union prior to his engaging in any unfair labor practices. This concept ignores completely the rights of individual employees.

CONCLUSION

As stated in *Universal Camera*, supra, and *NLRB v. Latex Industries*, 307 F. 2d 737, 738 (51 LRRM 2101), the Trial Examiner's decision is entitled to considerable weight, where the issue turns on credibility of witnesses whom the Trial Examiner alone heard and saw.

The Trial Examiner found in this case that Rowland was the most credible witness in his testimony about the interviews with Anderson and Chevoya and found no 8(a)(1) violation resulted.

He found the Company did not engage in delaying tactics to undermine the Union's majority.

He found the Union's majority loss was not caused by the Employer's unfair labor practices and credited the testimony of employee Wilson in this regard.

He found that Mr. Rowland's speech of February 5 did not cause the Union's loss of majority.

He credited Mr. Rowland and found that he did not threaten to move the plant. He found that Mr. Rowland did not post the tardiness notice in reprisal for Union activity. He found the employee committee was not a labor organization and that Mr. Rowland did not finance said committee activities.

The Board argues in Respondent's Brief that it was not reversing the Trial Examiner's findings of fact, but instead reversed his conclusions and application of law.

The record and evidence is clear that the Board did more than draw contrary inferences from the facts—it changed the factual findings as credited by the Trial Examiner who is experienced in the field and “who lived with the case”. It is the duty of the Trial Examiner to weigh the evidence and assure the trustworthiness of the evidence and only he could observe the demeanor, bias, attitude and prejudice of witnesses. The support for the Board’s decision and order is considerably weakened, since the Board drew conclusions far different from those of the Trial Examiner.

The U. S. Supreme Court, in *Universal Camera v. NLRB*, 340 US 474, 490, directed the courts of appeal to assume responsibility for the “reasonableness and fairness” of the Board’s decisions and said that Congress had imposed upon the courts of appeal the “responsibility for assuring that the Board keeps within reasonable grounds.”

We submit that consideration of the evidence on the record considered as a whole shows that the Board, in overruling its Trial Examiner, exceeded reasonable grounds and reached an unreasonable and unfair decision, not only to the Employer but to the employees. The Court, in *Universal Camera*, supra, at page 476, said:

“ . . . evidence supporting a conclusion may be less substantial when an impartial experienced examiner who has observed the witnesses and lived with the case has drawn conclusions differ-

ent from the Board's than when he has reached the same conclusion."

Under the Trial Examiner's decision, the interrogation of Chevoya and Napier by Lawley and McGuinigie on or about January 24, and the February 5 speech of Mr. Rowland were found to be in violation of the Act.

Since the interrogation of Napier and Chevoya on January 24 took place prior to the Union filing an election petition, under the Board's rules this could not be used as a basis for setting aside the election. (*NLRB v. Goodyear Tire & Rubber Co.*, 138 NLRB 59; 51 LRRM 1071.)

Any coercive effect in Mr. Rowland's speech of the 5th was found by the Trial Examiner to have been effectively retracted on February 7. This was 17 days before the election, with absolutely no further campaigning by the Employer, and insufficient justification for the Board to set aside the election results, let alone to find him guilty of unfair labor practices.

The Board's obligation is to effectuate the purposes of the Act and primarily to protect the rights of employees, seeing that they are free to join unions *if they wish*, and not by requiring them to join contrary to their statutory, guaranteed rights. Here, the application of *Bernel Foam* rules and the Board's order to bargain violates the rights of employees under the Act.

We respectfully submit that the Board's order here is not supported by the substantial evidence on the

record considered as a whole, and should be set aside and the cross-petition for enforcement denied.

Dated, Fresno, California,
October 5, 1966.

Respectfully submitted,
DOTY, QUINLAN & KERSHAW,
Counsel for Petitioner.

CERTIFICATE OF COUNSEL

I certify that in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit and in my opinion, the foregoing brief is in full compliance with those rules.

PAUL K. DOTY,
Attorney.

No. 20510.✓
IN THE

FEB 14 1967

United States Court of Appeals

FOR THE NINTH CIRCUIT

AEROTEC INDUSTRIES OF CALIFORNIA, a corporation;
AEROTEC INDUSTRIES, INC., a corporation; UNIVER-
SAL OIL PRODUCTS COMPANY, a corporation;

Appellants,

vs.

PACIFIC SCIENTIFIC COMPANY, a corporation,

Appellee.

APPELLANTS' OPENING BRIEF.

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No. 20510.

IN THE

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AEROTEC INDUSTRIES, INC., a corporation; UNIVER-
SAL OIL PRODUCTS COMPANY, a corporation;

Appellants,

vs.

PACIFIC SCIENTIFIC COMPANY, a corporation,

Appellee.

APPELLANTS' OPENING BRIEF.

This is an appeal from a judgment of the District Court for the Southern District of California, Central Division (R. 944). The cause of action as stated in the Complaint (R. 2) is for alleged infringement of Pfankuch *et al.* Patent No. 2,845,233 and Cushman *et al.* Patent No. 2,845,234, both entitled "Safety Apparatus," which are inertia operated mechanical devices to lock a cable.* Plaintiff is a California corporation and owns the patents. Defendant, Universal Oil Products Company, a Delaware corporation, having its principal offices in Des Plaines, Illinois, purchased the defendant, Aerotec, which is now a division of Universal Oil Products. Jurisdiction of the Trial Court arises

*Patents Nos. 2,845,233 and 2,845,234 will hereafter be identified by '233 and '234, respectively. Appellants will hereafter be referred to as defendants.

under 28 U.S.C. §1338, and the Patent Laws Title 35 U.S.C.

Defendants' answer (R. 10) denied validity and infringement of the patents in suit and asserted affirmative defenses and a counterclaim for invalidity and non-infringement. The Trial Court did not request a Pre-trial Conference Order.

After (a) sixteen days of trial and argument before the Honorable Thurmond Clarke; (b) the filing of extensive briefs after trial (R. 592, 732, 819) over approximately two and one-half months; and (c) an additional six month period during which the Trial Court had the matter under submission, the patents in suit were both held valid and that defendants infringed claims 7 and 9 of Patent No. 2,845,233 and claims 1 and 5 of patent No. 2,845,234.

JURISDICTION.

Jurisdiction to review the judgment of the District Court is conferred by 28 U.S.C. §1291. The judgment was entered on August 3, 1965 (R. 944) and Notice of Appeal (R. 994) was filed by defendants on October 1, 1965. The appeal was timely taken in accordance with Rule 73 of the Federal Rules of Civil Procedure and the Rules of this Court as defendants filed a motion (R. 947) to amend and make additional findings pursuant to Rule 52(b), such motion being denied (R. 985) by the Trial Court who signed and entered the findings of fact and conclusions of law (R. 928) prepared by plaintiff's counsel without any changes.

STATEMENT OF THE CASE.

The four claims in issue of the two patents in suit all require the combination of four elements, namely:

- (a) a vehicle;
- (b) an inertia or acceleration-responsive safety device including a reel, mounted on the vehicle;
- (c) a cable having one end thereof attached to and adapted to be wound on the reel of the safety device; and
- (d) an object adapted to be secured to the other end of the cable.

This is the **same old combination** of four elements which is found in the old trolley catcher patents; this **old combination** performs the **same result**, namely, it permits the **object** (pilot, passenger, freight or trolley pole) to move normally, but when such **object** and the cable connected to the object accelerates or its speed suddenly increases, the safety device or cable locking device locks the reel and cable and prevents further movement of the object.

This is a case wherein the purported invention relates to an **old combination of elements** in exactly the same relationship as in the past, each element performing its normal and expected function, and producing an old and expected result. The patents in suit do not conform to the standard of invention as a matter of law.

The four claims in issue of the patents in suit must be interpreted in the light of the prior art:

“Under §103, the scope and content of the prior art are to be determined; differences between the

prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.”

Graham v. John Deere Company of Kansas City,
383 U.S. 1, 86 S. Ct. 684, at 694 (1966).

Your Honors are familiar with very pertinent prior art since you saw and rode on trolley cars. The trolley car had a trolley catcher attached to the vehicle; the trolley catcher had a reel to which one end of a cable or line was attached, the other end of the cable was attached to the trolley pole (**object**) which was to be restrained in an emergency. The operation and purpose was stated (in 1900 Patent 657,342, Ex. D) as follows:

“It (trolley catcher) is arranged to allow the trolley line to unwind from the reel that forms part of the attachment if it unwinds slowly, but to catch the reel and stop the unwinding of a cord from the reel if there is a sudden strain put upon it, such as is put upon a trolley line when the trolley wheel leaves the wire.” (Page 1, lines 22-29).

Ham patent 700,763 of 1902 (Ex. D) described an improved device in which:

“* * * a sudden increase of rotative speed of the trolley-reel, such as results when the trolley jumps the wire, is instantly responded to by the catching devices which stop the further ascent of the trolley instantly.” (Page 1, lines 40-45).

Since, as Ham states, the device actuates "in case of emergency," it is a safety apparatus. The patents in suit are titled "Safety Apparatus."

Both patents in suit specifically state that the device is for use on a vehicle such as an aircraft or an automobile (trolley cars are out of style). Each device includes a reel or drum and a cable having one end connected to the reel and another to a pilot, operator or "**objects other than human bodies**" (Patent '233, Col. 7, lines 13-15, Ex. 1).

When you step on a brake of your automobile, a passenger on the seat beside you will normally move forward and may even hit the windshield. If he were the **object** connected to the cable, the cable would accelerate and there would be "* * * a sudden increase in the rotative speed of the trolley-reel" (as in the Ham patent) and the device would lock the reel and cable to hold the **object (passenger or trolley pole)** from further or dangerous movement. In the older trolley catcher patents, the trolley pole was prevented from doing "any damage to the trolley wire supports" (Ham, page 2, lines 103-104).

Your Honors probably wonder how the Patent Office made the horrible mistake of issuing the patents in suit. The answer is the trolley catcher patents to which attention has been drawn **were not cited by the Patent Office**. The Supreme Court was faced with a similar situation in the *Calmar, Inc. v. Cook Chemical Co.* case, 383 U.S. 1, 86 S. Ct. 684 (1966).

wherein an important reference (Livingstone) was not before the Examiner although the construction there shown was “fully disclosed and dedicated to the public in the Livingstone patent”.

For purposes of the trial, plaintiff **concocted a meaningless phrase** to describe the function of the safety apparatus of the patents in suit; plaintiff called it **“man-sensitive”** and by endless repetition, sold this phrase to the Trial Court. This meaningless phrase occurs 30 times in the Findings of Fact and even in Conclusion IV.

Invention cannot be predicated upon semantics. The phrase **“man-sensitive”** is meaningless since a piece of machinery **does not discriminate** as to who or what applies the effective force. The safety device will operate for man, woman, chimpanzee, a box of freight, trolley pole **or any other object** which applies accelerative force to the cable or strap connected to the reel. Patent '233 specifically states:

“This novel invention may be used in connection with objects other than human bodies, such as, for example, freight handling and the like.”
(Ex. I, Col. 7, lines 12-15).

Plaintiff's president agreed with this statement by admitting **“that a human body is not needed”** and that mechanical or electro-mechanical means are used to test the patented devices. (R. Vol. III, p. 185).

Since objects **“other than human bodies”** operate the devices of the patents in suit (confirmed by testimony of the patentees in R. Vol. III, pp. 239, 297-298, 362), then it is clear that human bodies (instead of trolley poles or freight) would operate the devices of the expired trolley catcher patents which are in the public domain. Plaintiff is trying to use its patent like an accordion by expanding it for purposes of infringement but contracting it to avoid infringement. This Court must not allow plaintiff to assume contradictory positions.

Your Honors are all familiar with weighing scales. These scales do not discriminate — they will weigh a man, a woman or a box of freight. Is it invention to call the scale **“man-sensitive”** when a man actuates it? Or to call it **“freight-sensitive”** when a box of freight actuates the scale?

The Trial Court **committed grievous and reversible error in being misled by plaintiff’s meaningless phrase.** The Trial Court ignored the testimony of the patentees; it ignored the teaching of Patent '233 in suit and even refused to add a finding correctly quoting the patent, thereby failing to include a finding which would fully advise this Court as to the facts. It appears that after mulling over this **mystic phrase** for over six months and having come to a decision, the Court **closed its mind to the true facts and to the law.**

HISTORY OF PATENTS IN SUIT.

The prosecution of the patents in suit before the Patent Office (Ex. 131), shows that the most pertinent prior art was **not** considered. However, all of the claims of Patent '233 were finally rejected (Ex. 131, pp. 40-41) on art (see Ex. D) which included:

Sharpe 2,370,921, who described a snubbing device (**safety device**) for permitting slow but preventing rapid movement of a cow during milking;

Scheur and Caouette 1,037,333 and 1,308,480 who showed similar **safety devices** wherein rapid movement of a cable braked but did not lock the cable to restrain a movable fire escape; Geohegan 2,403,653 and Nordmark 2,434,119 who taught the combination of an aircraft, a **safety device** including a reel, a cable and a **man** in a harness connected to one end of the cable.

Upon appeal to the Patent Office Board of Appeals, the patentees did **not** argue that they had a new combination; they argued that Scheur and Caouette were *velocity-operated* and *not responsive to acceleration*. The Board allowed the claims (Ex. 131, p. 90).

Further and more importantly, the Patent Office did **not** have before it the prior art patents to Ham, Burdon and Ricketts (Ex. D), each of which shows that it was old and well known to use an *acceleration-responsive* safety device to lock a reel and a cable (whose other end was secured to an object) to restrain an ob-

ject, and wherein the abnormal acceleration was sensed through the cable.

No presumption of validity attaches to the patents in suit since the more pertinent prior patents were not considered.

“Even one prior art reference which has not been considered by the Patent Office, may overthrow the presumption of validity, and, when the most pertinent art has not been brought to the attention of the administrative body the presumption is largely dissipated.”

Jacuzzi Bros., Inc. v. Berkeley Pump Inc., 191 F. 2d 632, 634 and note Page 637 (C.A. 9, 1957) and other similar cases.

Claims of the second Patent '234 in suit were also rejected “since the parts are defined in terms of the pilot’s body which is not a part of the device” (Ex. 132, pp. 46-67). At that time the patentees did **not** have the impudence to argue that **they invented a man** so they concurred in the requirement of the Patent Office that “limitations of the parts must be in terms of the other specifically included elements * * * should be defined in terms of the accelerated pull of the cable **not the body movement**” and promptly cancelled prior amendments and added that the device was “responsive to forces exerted by **pull on the cable**” and “due to an abnormal acceleration of the cable” (Ex. 132, p. 49). (Note: these forces could be generated by **any object**, man, freight, trolley pole, cow, fire escape, etc.).

But during trial, plaintiff ignored the limitation which was imposed by the Patent Office and which it accepted. Plaintiff now relies on “**man-sensitive**”, **not acceleration-sensitive**. Plaintiff befuddled the Trial Court who ignored the Patent Office record and the law.

“Here the patentee obtained his patent only by accepting the limitations imposed by the Examiner. The claims were carefully drafted to reflect these limitations and Cook Chemical is not now free to assert a broader view of Scoggin’s invention.”

Graham v. John Deere Company of Kansas City, 383 U.S. 1, 86 S. Ct. 684, 702.

The documentary evidence (Exs. I to T) in this case, corroborated by unshaken testimony (R. Vol. III, pp. 1223-1267), leads to the conclusion that at best, plaintiff’s patents are merely concerned with the possible **new use of old devices** taught by Ham, Burdon or Ricketts for restraining a man (instead of another object). Under well established rules of Patent Law, **the patents in suit must be held invalid**.

“It is well settled that mere application of an old device to a new use does not constitute invention. *Roberts v. Ryer*, 191 U.S. 150, 159; *Peters v. Hanson*, 129 U.S. 542, 543.”

Pevcly Dairy Co. v. Borden Printing Co., 123 F. 2d 17, 19 (C.A. 9, 1941).

The Trial Court erred: its findings and conclusions are based on a deceptive and meaningless phrase (man-sensitive) and a disregard of statutory standards of invention.

SPECIFICATION OF ERRORS.

Defendants have set forth the errors committed by the Trial Court in their Concise Statement of Points on Appeal and Supplement thereto under Rule 17(6) (R. 1112), and rely on said errors as if restated here. In furtherance of the argument as hereinafter presented, the errors may be restated as follows:

1. The Trial Court **erred** in holding that both patents in suit are valid (Conclusion II, R. 942) and **failed** to apply the constitutional standard of invention of 35 U.S.C. §§101, 102 and 103 required by the Supreme Court and this Court of Appeals.

2. Findings 57 and 58 (R. 938) are **erroneous** and **contrary** to documentary facts and unrefuted testimony. These findings hold that the claims in suit do not read upon and are not anticipated by the Ham, Burdon and Ricketts patents (not cited by the Patent Office) whereas Exs. I through T and R. Vol. III, pp. 1223-1266 and 1319 establish such anticipation. This testimony stands unrefuted. **The equivalency of an inanimate object and a man to cause actuation is conceded by Patent '233 in suit.**

3. The Trial Court **erred** in finding that "**locking a man in his seat**" (Finding 63, R. 939-40), was a "**surprising result**". The patented device will be actuated by an "**object**" as well as **man**; the prior art will respond to a **man** as well as to an **object**. (R. Vol. III, pp. 231, 259, 293, 297-99 and 362-65). No unobvious, surprising or unexpected result is obtained as required by *A & P Tea Co. v. Supermarket Corp.*, 340 U.S. 147 (1950).

4. The Trial Court **erred** in finding that the **function** or **purpose** of the patented safety apparatus is markedly different from the purpose of the safety devices of the prior art patents to Ham, Burdon or Ricketts and that these patents are non-analogous art (Find. 56, R. 938). The primary function or purpose of the safety apparatus of plaintiff's patents and of such prior art is **to lock a cable** regardless of what object (man, freight, or trolley pole) is attached to and causes acceleration of the cable (R. Vol. III, pp. 298-9, 455, 902-4, 1116-18, 1177-78 and 1293-94). **Patents cannot deprive a mechanic from adapting old devices to uses suggested in prior patents.** *Skec-Trainer, Inc. v. Garelick Mfg.* (C.A. 7, June 8, 1966), 150 USPQ 7, 9, F. 2d, applying *Graham v. John Deere*, 383 U.S. 1, 86 S. Ct. 684, 689.

5. Finding 49 (R. 936) is in **error** in attempting to minimize the anticipating effect of the uncited Ham, Burdon and Ricketts patents by stating that these devices were heavy and bulky. Changes in metals used or in size are not inventive. The patents in suit do **not** specify sizes or weights as being critical. Make-weight arguments do not take the place of invention as established by plaintiff's Chief Engineer (R. Vol. III, p. 1742).

6. Findings 41 and 42 (R. 935) are in **error** since they disregard the facts that:

- (a) prior patents to **Nordmark** and **Geohegan et al.** (Ex. D) taught the **same combination** with a **safety device** which restrained a man;
- (b) prior patents to Ham, Burdon and Ricketts showed a safety device **identical** in construction and operation to that claimed in the patents in suit; and

- (c) disregard the law that the **substitution of an old device for a different device in an old combination of elements is not invention.**

7. The Court **erred** in Finding 48 (holding that the uncited Ham, Burdon and Ricketts patents were not as closely related to plaintiff's invention as the cited art (R. 936), because the Trial Court failed to note that the file history (Ex. 131, p. 90 and Ex. 132, pp. 21 and 33) shows that the cited art only showed *velocity-responsive* safety devices, whereas the Ham, Burdon and Ricketts patents show *acceleration-responsive* devices to which the claims in suit are drawn. That which the Patent Office believed to be a distinction is now demonstrated to be **old**.

8. The Trial Court **erred** and Finding 36 (R. 934) is misleading Your Honors in holding that the patents in suit are **basic** with respect to **man-sensitive** safety apparatus which is **acceleration-responsive**, as the Patent '233 (Ex. 1) on its face (Col. 7, lines 12-15) clearly admits that **objects other than human are equivalent**, and therefore the patented safety apparatus are **not basic** with respect to being sensitive only to a "**man**" but are merely directed to a safety apparatus which may be used in connection with other objects, such as a trolley pole, chimpanzee or the like, capable of accelerating the cable from the object to the safety apparatus and holding the object from further movement, **as confirmed by the co-inventor, Pfankuch** (R. Vol. III, pp. 297-98).

9. Findings 12 to 16, 19 to 22, 36, 49-53, 55, 56, 57, 59 to 63, 66, 67, 70 and 71 (R. 930-941) and Conclusion of Law IV (R. 942) in which reliance is made upon the concocted and meaningless phrase

“man-sensitive” or depend upon “acceleration-responsive” are misleading and **erroneous** and contrary to the facts. The patented devices respond to a force exerted by a pull on the cable and that pull can be by a man or any object, as in the prior art (R. Vol. III, pp. 297-98).

10. The Trial Court **erred** in apparently believing that since the patentees of the patents in suit and others did not consider the trolley catcher patents, such prior art patents were inapplicable as anticipation (Find. 52; R. 937). This Finding is in error because:

“It is also irrelevant that no one apparently chose to avail themselves of knowledge stored in the Patent Office and readily available by the simple expedient of conducting a patent search—a prudent and nowadays common preliminary to well organized research. *Mast, Foos & Co. v. Stover Mfg. Co.*, 177 U.S. 485 (1900).”

Graham et al. v. John Deere Company of Kansas City, et al., 383 U.S. 1, 86 S. Ct. 684, 703 (Feb. 1966).

11. The Trial Court **erred** in finding that at the time the inventions in suit were made, it would **not** have been **obvious** to one skilled in the art of “safety apparatus for protecting a man in his seat” that abnormal movement of a man could be sensed to cause the man to be locked in his seat at the very outset of the abnormal movement (Find. 53, R. 937) in view of the tests for determining **obviousness** set forth by the Supreme Court in *Graham v. John Deere Company of Kansas City, supra*, and in *A & P Tea Co. v. Supermarket Corp.*, 340 U.S. 147. The Trial Court further **erred** in this Finding in attempting to find

a **new art**, namely “safety apparatus for protecting a man in his seat” which is **old** as taught by Nordmark Patent 2,701,693, Ex. D.

12. The Trial Court **erred** in finding that secondary considerations or **sub-tests** such as commercial success and alleged recognition of the patents in suit (Finds. 65, 66, 67, 68, 69, R. 940-941) were **substitutes** for patentability and the test of obviousness under 35 U.S.C. §§102 and 103, as set forth by the Supreme Court in *Graham v. John Deere Co.*, *supra*, at 703.

13. Findings 43 and 44 (R. 935) are **erroneous** in holding that Wrighton and Cushman, **jointly** contributed to the invention of the improvement patent '234 because during the trial it was proven by cross-examination of Mr. Wrighton (R. Vol. III, pp. 387-402) that he did **not** invent anything in Patent '234 and that **Mr. Cushman** was the alleged **sole** inventor, as exemplified by Exs. AI and AJ and unfuted testimony of Mr. Gabriel (R. Vol. III, pp. 1273-1283).

14. Findings 50, 51, 55, 70 and 71 (R. 936-941) are clearly **wrong** because there is **no** evidence to support them. For example, Finding 50 is premised upon an alleged “multi-directional” response of the safety device, but such response can only occur when certain guides or “frames” are used, and such guides are **not** included in the claims in suit (conceded by plaintiff's engineer, Glauser, R. Vol. III, pp. 550-551, 554, 566, 570-571).

15. Finding 20 (R. 931) is in **error** because there is no competent evidence to support it. The Trial Court **erred** in admitting **hearsay**, without personal

knowledge, in response to leading questions, over defendants' objections (R. Vol. III, pp. 91, 92, 93).

16. The Trial Court **erred** in finding the four claims of the patents in suit valid and infringed (Find. 72, R. 941) as the proper tests of validity and infringement were not applied by the Trial Court in view of the rules and criteria of invention required by the Supreme Court and this Court of Appeals. Further **error** of the Court lay in failing to find no infringement because defendants' safety device more closely follows the teachings of prior art as the Ham patent.

17. Findings 38 and 72 are in **error** in finding infringement and that the Patent Office proceedings do not limit the scope of the patents in suit in view of plaintiff's interpretation of the alleged invention in the file histories (Exs. 131 and 132) in order to obtain the allowance of the patent claims in issue.

SUMMARY.

This Court **must** decide whether or not there is invention in utilizing an **old safety device** (Ham) for a different or new use (to restrain a man or occupant) where the **claimed combination** of elements (vehicle, safety device, cable and object) is **old** and in the **public domain** (Nordmark and Geohegan). A further question for Your Honors to decide is whether there can be an infringement where defendants' device **more closely follows** the teachings of the prior art patent to Ham which is in the public domain (See Chart 3).

Your Honors, in view of past cases on these same issues, should be compelled to hold that the Trial Court

has erred. In *William T. Alvarado Sales Co. v. Rubaloff*, 263 F. 2d 926 (C.A. 9, 1959), this Court was presented with exactly the same issue with similar facts being involved. Plaintiff's patent was directed to a turntable used as a check stand in grocery stores. The Trial Court held such patent invalid over prior art patents on a conveyor used as part of a paper milk bottle packaging machine for industrial use.

Your Honors affirmed the Trial Court and held at 928:

"The taking over of devices from one field of use to another does not constitute invention, even though they be put to a new use. More than a new advantage of the old component must be discovered in order to claim invention. *General Electric Co. v. Jewel Co.*, 326 U.S. 242, 249, 66 S. Ct. 81, 90 L. Ed. 43."

The four claims in issue of the patents in suit should also be held invalid on the same ground as Your Honors used in *Alvarado Sales Co. v. Rubaloff*, *supra*.

The prior art patents, Ham, Burdon and Ricketts (Ex. D), show that the patented devices defined in the claims in suit are **old**. Moreover, the four claims in issue read **element for element** on the prior art (Exs. I to T). The prior art and patented safety devices mechanically perform the same function — to lock the cable when subjected to abnormal acceleration. Whether a man or trolley pole (object) is used to accelerate the cable is **immaterial** to the device.

The Trial Court became **confused** on this very issue in writing its opinion (R. 903) approximately

nine months after the trial. In such opinion, the Trial Court correctly set forth §904.01(c), page 155, of The Manual of Patent Office Examining Procedure as follows:

“Analogous Arts”

“Not only must the art be searched with which the invention claimed is classifiable, but also all analogous arts regardless of where classified.

“The determination of when arts are analogous is at times difficult. It depends upon the necessary essential function or utility of the subject matter covered by the claims, and not what it is called.

“For example, a tea mixer, and a concrete mixer are for the same art, namely, the mixing art, this being the necessary function of each. Similarly a brick-cutting machine and a biscuit-cutting machine have the same necessary function.”

Since a mixer is a mixer whether used on tea or concrete, and a cutting machine is the same whether it cuts bricks or biscuits, **a safety device is the same whether used with man, beast or inanimate objects.** But the Trial Court became confused, and erroneously held:

“Even if we assume a relation and a similarity of elements in a safety reel and a trolley-catcher, the purposes of the two devices are unrelated with-
in the rule above set forth.” (R. 903).

Here, the Trial Court **acknowledged** that the devices of the patents in suit and of the prior art (Ham, Burdon and Ricketts) have the same elements that cooperate in the same relationship. There is no evidence nor did plaintiff argue to the contrary.

The **purpose or function** of the patented safety devices **is to lock a cable**, which was uniformly established at the trial (R. Vol. III, pp. 298, 455, 902, 1116-17, 1177-78, 1293) and which is the same purpose as the prior art patents. Therefore such prior art patents are analogous art.

However, plaintiff distracted and confused the Trial Court by concocting the false and misleading term “**man-sensitive**” thereby beclouding the fact that all of these safety devices have the same function and use.

The patented and prior art safety devices for locking a cable function in the **same manner** and have the **same purpose**, whether they are used to restrain a man, trolley pole, chimpanzee or any other object. In the same manner, machines for cutting objects have the same purpose whether the object is a brick or biscuit and machines for mixing objects have the same purpose whether the object is tea or concrete. (Trial Court’s Opinion R. 903).

The Supreme Court recently set forth its view on “pertinent” or analogous art in *Graham v. John Deere Co.*, *supra*, at 86 S. Ct. 702-703. The patentee argued that a prior art patent relating to liquid containers having pouring spouts was “not in the pertinent art” as compared to the patented insecticide pump sprayer. In response to this argument, the Supreme Court held at 703:

“The problems confronting Scoggin and the insecticide industry were not insecticide problems; they were mechanical closure problems. Closure devices in such closely related art, as pouring spouts for liquid containers are at the very least pertinent references. See Vol. II Walker Patents §260 (Deller Ed. 1937)”.

In the present case, the problems of the patentees **were to lock a cable** when abnormally accelerated by an object. This was the **same** problem that confronted Ham, Burdon and Ricketts 50 years before.

To hold the patents in suit valid, Your Honors would be **endorsing** the policy of issuing additional patents by the Patent Office on new uses of the old locking or safety devices as disclosed in the prior art patents to Ham, Burdon and Ricketts (Ex. D). Should additional patents be granted if these old devices were used with objects other than a man or a trolley pole? The **negative** answer to this question emphasizes the gross error of the Trial Court in holding that there is an invention in using an old safety device for locking a cable to restrain only a man and not any other object such as freight (as stated on the face of Patent '233, Col. 7, lines 12-15) or a trolley pole (Ham, Burdon or Ricketts patents)

How have the alleged patented devices produced such **unusual** or **surprising** consequences or **added** to the total stock of knowledge that represents an invention in the constitutional sense in view of the criteria of the Supreme Court in the *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 240 U.S. 147, 71 S. Ct. 127, 95 L. Ed. 162?

These patents in suit are invalid since:

“It follows that though a device may be new and useful it is not patentable if it consists of no more than a combination of ideas which are drawn

from the existing fund of public knowledge, and which produces results that would be expected by one skilled in the art. A public grant of the private power to exclude others from making, using, and selling such a device simply 'withdraws what already is known into the field of its monopoly and diminishes the resources available to skilled men.' * * * *"

Griffith Rubber Mills v. Hoffar, 313 F. 2d 1, 3 (C.A. 9, 1963).

Another issue erroneously decided by the Trial Court is **how** defendants' inertia or acceleration-responsive safety device, which employs elements and combinations and utilizes the **same** mode of operation and obtains results as taught by the prior art safety devices for locking a cable, such as Ham (see App. C, p. 3), can be an infringement of the patents in suit.

As illustrated in Appendix C, page 3, defendants' alleged infringing device employs **similar** elements, which operate and produce **similar** results as the prior art patent to Ham. The safety devices used by Ham and defendants, if considered to be an infringement, require this Court to reverse the Trial Court and hold that the Ham patent **anticipates** the patents in suit.

"There is another test as to the validity of the second claim. If the Balch, Everett, Wilson, or Ferris patents, or even the umbrella, were subsequent in date to that of the Hall patent, they would

constitute an infringement thereof, for the rule is well established that 'that which infringes, if later, would anticipate if earlier'. *Peters v. Active Mfg. Co.*, 129 U.S. 530, 537; *Thatcher Heating Co. v. Burtis*, 121 U.S. 286, 295; *Grant v. Walter*, 148 U.S. 547, 554."

Knappp v. Morss, 150 U.S. 221, 228 followed in many cases, such as:

Sperry Rand Corp. v. Knappp-Monarch Co., 307 F. 2d 344, 348 (C.A. 3, 1962);

Application of Slayter, 276 F. 2d 408, 411 (C.C.P.A., 1960);

Smith-Blair Inc. v. Dresser Industries, Inc., 201 Fed. Supp. 458, 464 (D.C. N.D. Cal., 1961).

The patents in suit are invalid; they contain nothing new or inventive over the prior art.

QUESTIONS PRESENTED.

The points on appeal (R. 1112) and the preceding specification of errors may be condensed into ten questions for determination by this Court:

1. Do the four claims in issue of the patents in suit read upon and attempt to **re-patent** the devices shown in expired prior patents to Ham, Burdon and Ricketts?

(The evidence on this is in the **affirmative** and uncontradicted, See Exs. I to T.)

2. Is the **same** result or purpose (restraint from abnormal movement) attained by each of the prior

art patents to Ham, Burdon, Ricketts, Nordmark, and Geohegan?

(The evidence shows that all devices (patented and prior art) are cable locking devices and requires an **affirmative answer**. Findings 42, 49, 50 and 53 are in error.)

3. Can there be an invention in the claims in issue of the patents in suit which only require a new or different use of an **old safety device**?

(Well established rules of patent law compel the answer — **no invention**.)

4. Can a member of the public be restrained from normal use of skills in adapting what is in the **public domain** in accordance with prior patents? See *Griffith Rubber Mills v. Hoffar*, 313 F. 2d 1, 3 (C.A. 9, 1963).

(A patent which deprives the public of its vested rights is **invalid**. That which infringes, if later, **anticipates** if earlier.)

5. Would it be **obvious** to a man skilled in the art of safety devices to use a device as shown in Ham, Burdon or Ricketts as a substituted equivalent for the safety devices shown in either Nordmark or Geohegan prior art patents, §103 Title 35 U.S.C.?

(It is submitted that the facts and the law requires an **affirmative answer** and a **reversal** of the Trial Court's Judgment.)

6. Do the claims in issue of the patents in suit define a patentable invention (conforming to each of

the statutory requirements of novelty, utility and non-obviousness §§ 101, 102 and 103, Title 35 of the U.S.C.) in the light of all **prior** knowledge and patents and the ordinary skill of men in the art at the time the alleged invention was made?

(It is urged that the Trial Court made Findings that are contrary to the evidence and the judgment must be **reversed**.)

7. As a matter of **law**, did the Trial Court apply the correct criteria and standard of invention required by the Constitution and rulings of the Supreme Court as set forth in the *A & P Tea Co.* case and *Graham v. John Deere Co.* case as well as the prior decisions of this Court?

(It is urged that this must be answered in the **negative** and that the claims in issue in both patents in suit must be held invalid and not infringed. This question encompasses Points on Appeal 20-23, 26-41, 47-67. Specific erroneous Findings are 40-42, 48-53, 56-58, 63, 64, 68 and 72.)

8. Is Patent '234 invalid because statutory provisions were **not** complied with and a **false oath** was filed naming Wrighton as co-inventor whereas the subject matter was "an independent effort on Mr. Cushman's part". (R. 338)?

(Findings 43 and 44 are **wrong** and defy the statutes and the facts.)

9. Can defendants' device be an infringement when it **follows** the teachings of the prior art rather than the patents in suit?

(The Trial Court ignored the uncited prior art teachings of mechanical devices **for locking cables** in finding infringement. The answer to this question must be in the **negative**.)

10. Can the claims in issue be infringed by defendants' device which employs a **different** mode of operation and **omits** essential elements (separate inertia) in view of the development of the patented devices and the file history of the patents in suit?

(The law is clear that there can be no infringement where the device has mechanical differences or a difference in mode operation or a file wrapper estoppel exists to estop plaintiff from charging infringement. Findings 38, 71 and 72 are **in error**.)

THE CLAIMS OF THE PATENTS IN SUIT ARE ANTICIPATED AND INVALID.

The purported invention of the patents in suit requires a safety device in **combination** with a vehicle, cable and an object. Combination claims **rarely** involve invention. Here, plaintiff did **not** invent a vehicle (such as an airplane or a trolley car), did **not** invent an object (such as a man or a trolley pole), did **not** invent a safety device including a reel and certainly did **not** invent a cable having one end connected to the reel and the other to an object.

Let us look at Exhibits I and R reproduced here in Appendix C, pages 1 and 2. These Exhibits show that **each** of the **mechanical means** of claim 9 of the first patent in suit and claim 5 of the second patent in suit are found in and anticipated by the prior patent to Ham (Ex. D), which was not cited by the Patent Office.

The **only** purported novelty of these claims lie in that an **“occupant”** or **man** is attached to and adapted to be restrained by the cable. On this immaterial distinction, plaintiff has concocted the meaningless **“man-sensitive”** argument which misled the Trial Court into erroneous findings and conclusions.

The alleged “basic” patent in suit **concedes** that **“objects other than human bodies”** may be used (Patent '233, Col. 7, lines 12-15) and this equivalency was confirmed by plaintiff's witnesses (R. Vol. III, pp. 259, 297-98, 362)

since	occupant=man=object;
and	object=trolley pole (of Ham);
therefore	occupant=trolley pole.

There is complete anticipation in view of these established facts. Each of the conceded equivalents is capable of exerting a force upon the cable to accelerate the cable and lock it so as to

“stop the further ascent (movement) of the trolley instantly” (Ham);

or “against further movement outwardly” (Patent '233, claim 9);

or “restrain movement” (Patent '234, claim 1).

These results are expected and obvious. The results or purposes are the **same** whether the cable is connected to a man, to a trolley pole or to a box of freight. The errors in the Findings are self-evident. Finding 56 states:

“The purpose of plaintiff’s and defendants’ man-sensitive safety apparatus is markedly different from the purpose of the trolley-catching devices of the prior patents and thus, these patents are non-analogous art.”

Finding 53 states:

“At the time the inventions in suit were made, it would not have been obvious to one skilled in the art of safety apparatus for protecting a man in his seat * * *.”

All of these equivalent objects have mass; they exhibit inertia; they can generate accelerative forces. The reel of the safety device and the cable attached to it do **not** care **what object** is attached to them and produce the actuating force.

The **deadly parallel** between the prior art patents not cited by the Patent Office, and each of the claims in issue, is established by irrefuted evidence. Defendants’ experts, Gabriel (R. Vol. III, pp. 1223-1267) and Swedlow (R. Vol. III, pp. 1313-1319) testified in detail that claims 7 and 9 of Patent '233

and claims 1 and 5 of Patent '234 were **fully anticipated** by each of the prior art patents to Ham, Burdon and Ricketts (Ex. D). These were **not** considered by the Patent Office. Exs. I through T clearly and graphically illustrate the testimony of both Gabriel and Swedlow on the **anticipation of all the claims in issue.**

Normally, in a patent trial, there is some attempt to refute evidence and testimony introduced by defendants which shows anticipation of the alleged inventions. At no time during the trial, however, did plaintiff cross-examine Messrs. Gabriel and Swedlow on their testimony of the anticipation of the claims in issue by the Ham, Burdon and Ricketts patents. **Exs. I through T were never refuted by plaintiff.**

The Trial Court completely **ignored** this un rebutted and unrefuted testimony in Exs. I through T introduced by defendants. On this one point alone, the Trial Court's Findings, such as 27, 53, 56 and 58 (R. 932, 937, 938), are clearly erroneous since the only evidence is to the contrary.

“* * * Most important, there is not a scintilla of evidence in the Record that would support such a conclusion.”

Troy Company v. Products Research Company,
339 F. 2d 364 at 366 (C.A. 9, 1964).

These uncontested facts establish that the '233 patent in suit is not “basic” as erroneously stated in

Findings 17, 25, 42, 62 and 69 (R. 931, 935, 932, 939, 941). It is submitted that the Trial Court was misled by the misleading and beclouding tactics employed by plaintiff and substituted its own mistaken opinion for the true facts and evidence. While it was normal for the Trial Court in this case to request the plaintiff to prepare the Findings (in which no changes were made by the Trial Court), this does not excuse the trial judge from his duty to carefully determine the accuracy of the proposed Findings, particularly when errors are called to his attention by objections and motion to amend (R. 947; denied R. 985). Exs. I and R appended hereto (App. C, pp. 1 and 2) speak for themselves. **The judgment should be reversed.**

**THE CLAIMS IN ISSUE DO NOT
RELATE TO INVENTION.**

Exhibit D contains the prior art patents and among them is Nordmark *et al.*, Patent 2,701,693 (not cited in Patent '233). The disclosures of this patent are combined with those of Geohegan on the Chart 1 provided on the opposite page of this brief, in order to permit Your Honors to have a condensed comparison between the patents in suit and the prior art patents, including Ham.

The Nordmark *et al.* patent uses the **same combination of elements** as the patents in suit. It relates to a safety device particularly "an automatic inertia-operated reel for taking up the cable on a shoulder harness by means of which an occupant of an airplane or other vehicle is secured in his chair in the event of a crash" (Col. 1, lines 16-19). One end of the cable is secured to the drum of the device (Col. 2, line 75) and the other to the harness worn by the man (Col. 2, lines 28-34).

The function or purpose of the entire combination is to secure the man in his seat "so that he will not be thrown sideways or forward" (Col. 1, line 39 and Col. 5, lines 52-53). The purpose or function of the combination is therefore **identical** to that of the patents in suit. Also, please note that this Nordmark device is sensitive to the normal movement of the man and "the drum 26 pays out or takes up the harness cable 8 as necessary" (Col. 5, lines 1-3).

A mechanic of ordinary skill is asked to make a similar device, having the same purpose of function, but which will not be a Chinese copy of Nordmark. Such

**COMBINATION USED IN PATENTS IN SUIT IS OLD
AND IN PUBLIC DOMAIN**

	PATENTS IN SUIT	NORDMARK AND GEOHEGAN	HAM
VEHICLE	"moving vehicles such as aircraft and automobiles" (Exh. 1, Col. 1, l. 18) (Exh. 2, Col. 1, ll. 17-18)	"aircraft or any other vehicle "	moving vehicle such as a trolley-car
SAFETY DEVICE INCLUDING REEL	inertia-operated safety device including a reel, responsive to abnormal acceleration on cable (Exh. 1, Col. 6, l. 15) (Exh. 2, Col. 4, l. 69)	inertia-operated safety device including a reel, responsive to acceleration on device	inertia-operated safety device including a reel, responsive to abnormal acceleration on cable
CABLE	cable or equivalent strap, wire, rope, etc. (Exh. 1, Col. 8, l. 22) (Exh. 2, Col. 6, l. 17)	cable or straps	cable , rope or line
OBJECT ATTACHED TO CABLE	Man or any other object "This novel invention may be used in connection with objects other than human bodies, such as for example, freight handling and the like." (Exh. 1, Col. 7, ll. 12-15)	" Man "	trolley pole (" an object other than a human body ")
FUNCTION, PURPOSE RESULT	to lock cable , prevent feeding out of cable and hold man or object from further movement	to lock cable against paying out and hold man from further movement	to prevent feeding out of cable and hold trolley pole from further movement

mechanic does what the Supreme Court suggests and avails himself

“* * * of knowledge stored in the Patent Office and readily available by the simple expedient of conducting a patent search.”

Graham v. John Deere Co., 86 S. Ct. at 684, 703.

The mechanic finds a number of patents on safety devices among them Ricketts 1,393,570 (Ex. D) which responds to inertia and “is not dependent upon speed but operates in response to sudden variations and acceleration” as “when the trolley pole jumps the feed wire” (p. 3, Col. 2, lines 58-75). But also finds and may prefer the safety device of Fig. 1 of Ham 700,763 (Ex. D) because the working parts are “balanced.” Both the Ham and Ricketts safety devices are for use on a vehicle, both employ a reel or drum, both have a cable with one end connected to a drum and the other to an object which causes the cable to be locked “on the application of any sudden increment force” (Ricketts, Col. 2, line 77 and see Col. 1, lines 40-45). The Ham (or Ricketts and Burdon) patent in the prior art is in the last column on appended Chart 1.

Since the Ham, Ricketts and Burdon patents have expired, the skilled mechanic can substitute any one of the Ham, Ricketts or Burdon safety devices for the safety device described by Nordmark, placing it in exactly the same relationship with respect to the man and the vehicle as in the Nordmark patent. The two devices perform the same function and the purpose of the Nordmark patent is performed at least as well (if not better) than with the Nordmark safety device.

No changes in the relationship of the elements are required to make this substitution of one safety device for another in the general combination.

Where are the prerequisites of patentable novelty, utility and non-obviousness which are necessary to a valid patent? The mechanic has not created a new combination of cooperative elements—he **still has the same old combination as indicated by Chart 1.** He has not produced a new or unexpected result—the device still takes up and pays out cable to accommodate normal movement of the object at the end of the cable; the device only locks the cable to restrain the object from movement when the cable suddenly accelerates under the influence of a force applied by the object. The vehicle still moves (or crashes).

The mechanic has not created any new and useful means, he has simply used mechanical skill expected of his calling to produce an old result by the substitution of equivalent devices in an old combination. What he did was not invention; what the patentees of the patent in suit did, was not invention.

“All he (the patentee) did was, by the use of known equivalents for some of the elements of former structures, to make it somewhat better than it was ever made before. This is not patentable.”

Crouch v. Roemer, 103 U.S. 797 at 799.

This Court has repeatedly held patents invalid where the improvement involved a substitution of mechanical equivalents, as in *Dailey v. Lipman, Wolfe and Co.*, where Your Honors states:

“Did plaintiff by using needle points merely substitute an equivalent for the studs? That the ques-

tion as stated is correct may be seen from the following quotation from *Smith v. Nichols*, 21 Wall. (88 U.S.) 112, 119, 22 L.Ed. 566:

‘but a mere carrying forward or new or more extended application of the original thought, a change only in form, proportions, or degree, the substitution of equivalents, doing substantially the same thing in the same way by substantially the same means with better results, is not such invention as will sustain the patent.’ ”

Dailey v. Lipman, Wolfe and Co., 88 F. 2d 362 at 364.

The mechanic of 1958 or 1960 had better tools, stronger and lighter metals and a greater fund of prior knowledge at his command than Ham. But these factors do not constitute invention. The claims of the patents in suit are not limited to specific metals, weights, proportions or critical and exotic relationships which produce a new device; instead, they read directly upon every mechanical element of the Ham, Burdon and Ricketts safety devices, as clearly demonstrated by Exhibits I and R appended hereto (Appx. C, pp. 1 and 2).

Even if it is assumed that the claims of the patents in suit distinguish by some minor mechanical structural requirement from the safety devices of Nordmark and Geohegan *et al.*, they do not distinguish from the Ham, Burdon and Ricketts devices which were not before the Patent Office.

35 U.S.C. §103 entitled “Conditions for Patentability”; nonobvious subject matter, provides:

“A patent may not be obtained * * * if the differences between the subject matter sought to be

patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.”

As pointed out hereinabove, the expected, obvious and uninventive expedient of a man of ordinary skill is to substitute a mechanical equivalent. **For this act, a patent may not be obtained.**

The Supreme Court has stated that 35 U.S.C. §103 should be approached as follows:

“While the ultimate question of patent validity is one of law, *A & P Tea Co. v. Supermarket Corp.* supra, at 155, the §103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries. Under §103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.”

Graham v. John Deere Co., 86 S. Ct. at 694.

Your Honors, using the above guidelines, in the light of the documentary facts and evidence, should readily conclude that the subject matter of the claims of the patents in suit is obvious, non-inventive and not patentable.

Unfortunately, the Trial Court did not make Findings which discuss “the differences between the prior art and the claims at issue” as directed by the Supreme

Court. Instead, the Court **ignored** the identity of the claims at issue and the prior art as demonstrated by Exhibits I through T and Appendix C, pages 1 and 2. The only Finding relating to “obviousness” is a flat statement with no explanation (Find. 53, 2nd sentence) and that Finding shows that the Trial Court was not applying the proper test and committed reversible error. A conclusion of obviousness is also supported by the testimony of Gabriel (R. Vol. III, pp. 1556-1557).

Since that which is claimed in the patents in suit is **an old combination**, obtained by simple substitution of one mechanical device for another similar device operating in its normal and expected manner to produce an expected result, the Trial Court committed reversible error in signing Findings referring to the '233 patent in suit as being “basic”. Findings 17, 25, 42, 62 and 69 are clearly wrong.

If it is assumed (without conceding) that the claims in issue contain some minor shred of invention, they must be construed in view of their limited contribution and not entitled to broad scope. Their claims are for old combinations and to prevent any broad interpretation of such claims, the Supreme Court has stated:

“ . . . and to prevent extension of the patent’s scope beyond what was actually invented, courts have viewed claims to combinations and improvements or additions to them with very close scrutiny. Cf. *Lincoln Engineering Co. v. Stewart-Warner Corp.* 303 U.S. 545, 549-51.”

Halliburton Co. v. Walker, 329 U.S. 1, 10.

This Court has applied this rule and has always carefully examined patent claims which only set forth the combination of old elements.

“A strict construction of a combination of old elements is required of our courts.”

Continental Connector Corp. v. Houston Fearless Corp., 350 F. 2d 183, 191 (C.A. 9, 1965).

In the light of these rules, Conclusion of Law IV stating that the claims of the patents in suit “are entitled to broad scope” is completely unjustified and wrong.

COMMERCIAL SUCCESS IS NOT A SUBSTITUTE FOR INVENTION.

It is believed that the Trial Court was misled by plaintiff's repetitive chatter about “**man-sensitive**”, ignored the importance of the Ham, Burdon and Ricketts patents, ignored the fact that these patents were not before the Patent Office, and did not realize that “patentability is dependent upon three explicit conditions: novelty and utility as articulated and defined in §101 and §102, and nonobviousness, the new statutory formulation as set out in §103” (*Graham v. John Deere Co.*, 86 S. Ct. at 691). The Trial Court did not apply the guidelines enunciated by the Supreme Court and instead was impressed by plaintiff's alleged commercial success (assuming that there is competent evidence in support thereof). The Supreme Court indicated that secondary considerations, such as commercial success, long felt want, etc. might be utilized to give light to the circumstances surrounding the origin of the subject matter, but deemed §103 “a more practical test of patentability” and that the inquiry “must be beamed

with greater intensity on the requirements of §103" (at pp. 693 and 694).

This Court should be aware that plaintiff's alleged commercial success is minimal at best. The patents in suit have not been litigated heretofore and licensees were obtained on minimum terms without any settlement or recovery for past damages. No royalties were ever received under the United States license, Exhibit 18 (R. Vol. III, pp. 138-139) and minimum royalties at the time of trial had even ceased under the other United States license, Exhibit 17 (R. Vol. III, pp. 138, 139). Finding 65 is overreaching and in error in stating that "substantial royalties" were paid to plaintiff.

The foreign licenses (Exs. 19, 21 and 23) should be disregarded as irrelevant and immaterial. These licenses relate to foreign patents and there was no testimony as to exactly what was covered by them. Moreover, the foreign licenses involved alleged know-how and technical services to be rendered to the licensees by plaintiff and whatever sums were paid were not allocated to royalties but included an unknown proportion for the services. Finally, under Exhibits 21 and 23, the licensees only paid plaintiff the bare minimum of \$500 and no more (R. Vol. III, pp. 155-158).

Commercial success is not a substitute for invention.

"The Court of Appeals and the respondent both lean heavily on evidence that this device filled a long felt want and has enjoyed commercial success. But commercial success without invention will not make patentability."

Great A & P Tea Co. v. Supermarket Equipment Corp., 340 U.S. 560 at 567.

Reliance upon more rapid locking which is deemed “an important sales feature” (Find. 31), high pressure salesmanship or threat of litigation that results in a license, does not take the place of true invention and patentability. It would appear that plaintiff’s licensees found it to be less expensive to take a license than fight a lawsuit, but this does not prove commercial success nor does it prove invention.

“* * * It is often less troublesome to buy one’s peace from a possessor of many patents than to enter into long drawn and expensive litigation.”

Cleveland Trust Co. v. Osher and Reiss, 109 F. 2d 917, 922 (C.A. 2, 1940).

This Court has repeatedly found patents invalid and disregarded commercial success, calling it a make-weight.

“We have repeatedly held that commercial success, however great, is but one factor in proving originality, i.e., invention. We have described it as a ‘make-weight’.

“This is all valid evidence of success, but it does not necessarily prove such success was proximately and solely caused by the genius of the invention.”

Monroc Auto Equipment Co. v. Superior Industries, Inc., 332 F. 2d 473 (C.A. 9, 1964).

To the same effect:

Patriarca Mfg. Inc. v. Sosnik, 278 F. 2d 389 (C.A. 9, 1960);

Pressteel Co. v. Halo Lighting Products, Inc., 314 F. 2d 695 (C.A. 9, 1963);

Jaybee Mfg. Corp. v. Ajax Hardware Mfg. Corp., 287 F. 2d 228 (C.A. 9, 1961).

FALSE OATH RENDERS PATENT '234 INVALID.

The Trial Court disregarded statutory provisions and the facts in holding that Patent '234 was "duly and legally issued" and that "Messrs. Wrighton and Cushman jointly contributed to the invention of the improvement patent." (Finds. 9 and 43). Actually there **was no joint invention** and the statutory requirements were not complied with.

"The inventor must comply with the conditions prescribed by law."

Consolidated Fruit Jar Co. v. Wright, 94 U.S. at 96, 97.

"It is admittedly a fundamental principle of patent law that a valid patent may only issue to the first and original inventor."

International Carbonic Engineering Co. v. Natural Carbonic Products, 57 Fed. Supp. 248 at 258, aff'd 158 F. 2d 285 (C.A. 9).

35 U.S.C. §102 entitled "Conditions for Patentability; novelty and loss of right to patent", reads as follows:

"A person shall be entitled to a patent unless —

(f) he did not himself invent the subject matter sought to be patented."

35 U.S.C. §115 reads as follows:

"Oath of Applicant. The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof for which he solicits a patent;"

Now let's look at the facts. More than one year before the application for Patent '234 was filed, **Cushman** had completed a physical model, Exhibit 64 and drawing, Exhibit 65, both dated 11/20/52 and marked "Made by C. E. Cushman". In answer to the question, by plaintiff's counsel on direct examination, as to who made Exhibit 64 (the physical, operating model), Mr. Wrighton answered "Mr. Cushman" (R. Vol. III, p. 337) and further testified that:

"Yes, this was an independent effort on Mr. Cushman's part." (R. Vol. III, p. 338).

Wrighton testified he operated Exhibit 64 in 1952 (R. Vol. III, p. 340). That Exhibit 64 successfully operated was demonstrated on three separate occasions during trial by plaintiff's own witness, Glauser (R. Vol. III, pp. 729, 816-817).

There is no question but that Exhibit 64 made **independently by Mr. Cushman** answers all of the requirements of claims 1 and 5 of Patent '234. This is established by Exhibits AI and AJ and the testimony of Gabriel (R. Vol. III, pp. 1273-1283) wherein Mr. Gabriel testified:

"Q. Do you therefore find each of the elements, their function and result of claim 1 of the Patent '234 in suit here, which allegedly was invented by two men, Wrighton and Cushman, in the disclosure 64 and Model 65 designed only by Mr. Cushman way back on November 20, 1952?
A. Yes, I do.

Q. And this is exemplified on Exhibit AI, is that correct? A. That is right. The drawing on Exhibit AI is as closely as he could make it a copy of the drawing Exhibit 65." (R. Vol. III, p. 1278).

Mr. Gabriel's testimony was corroborated by Wrighton who truthfully and correctly found each of the elements of claims 1 and 5 in Exhibits 64 and 65 (R. Vol. III, pp. 395-406).

This evidence and the exhibits clearly establish that Wrighton "did not himself invent the subject matter" as required by 35 U.S.C. §102(f); he certainly was not the original or first inventor, or any inventor of the subject matter and therefore the oath filed with the application was false. The oath (see Ex. 132, p. 16) alleges that Wrighton and Cushman jointly invented the device. **This oath was false.**

Statutory requirements cannot be lightly dismissed. The public interest is involved in every patent; the public should not pay tribute under patents which were not legally issued in strict compliance with the patent laws. These requirements cannot be waived by agreement between individuals.

"* * * No private agreement or other act can create as the first inventor one who in truth was not so."

U.S. Pipe and Foundry Co. v. Woodward Iron Co., 327 F. 2d 242 (C.A. 4, 1964).

It is notable that plaintiff did **not** offer a shred of evidence to contradict the above facts. There was **no** testimony of joint inventorship; all Wrighton did was to see the model and drawing after they were completed by Cushman on November 20, 1952 (R. Vol. III, p. 405).

On the facts and the law, Findings 9 and 43 are in error and Patent '234 is invalid and the complaint based thereon should be dismissed.

DIFFERENT USE OF OLD DEVICE IS NOT PATENTABLE.

The acceleration-responsive apparatus claimed in the patents in suit are structurally and functionally the same as the acceleration-responsive safety apparatus disclosed in Ham, Burdon or Ricketts patents (Exs. I to T). Plaintiff was reduced at the time of trial to argue that this old safety device was new and inventive because it had never been used with a man before. To restrain a man or "occupant" with an old safety device instead of restraining another object (such as a trolley pole) was merely a **different but analogous use** for the old safety device that was available in the prior art.

Plaintiff's argument is fallacious. The same contention was presented and dismissed in *Page v. U.S. Divers Co., Inc.*, 235 Fed. Supp. 554 (S.D. Cal., 1964) aff'd by this Court 361 F. 2d 478 (June 20, 1966) wherein the Court held:

"* * * and it is well settled that to use an old device for new and analogous purposes is not invention *Fernandez v. Phillips* (CA 9, 1943) 136 F.2d 404; *Cuno Corp. v. Automotive Devices Corp.* 314 U. S. 84 (1941). The use of one way valves for handling and controlling fluids must of necessity be considered an analogous art."

This Court has repeatedly held that a **different use of an old device is not invention**:

"If, however, the devices are structurally and functionally similar, the fact that the Wright apparatus was intended for attachment to the outside

of the casing would not be material on the question of invention. Mere application of a mechanical equivalent to another use is not invention. *Pevely Dairy Co. v. Borden Printing Co.*, 9 Cir. 123 F.2d 17; *John Bean Mfg. Co. v. Creagmile*, 9 Cir. 123 F. 2d 182.”

Hall v. Wright, 240 F. 2d 787 (C.A. 9, 1957).

Other examples of analogous art or of different uses of old devices which were not patentable include: the adaptation of a method of insulating ships was held analogous to and not inventive over the insulation of houses in *Slayter v. Stebbins-Anderson*, 117 F. 2d 848 (C.A. 4); an ice cream freezer was analogous to apparatus for preserving fish by a freezing mixture in *Brown v. Piper*, 91 U.S. 37; and the use of flywheels on phonograph machines or photographic sound film recorders was not inventive in *Altoona Theatres v. Tri-Ergon Corp.*, 294 U.S. 464.

“‘It is settled * * * that the application of an old process or machine, to a similar or analogous subject, with no change in the manner of application, and no result substantially distinct in its nature, will not sustain a patent, even if the new form of result has not before been contemplated.’ *Pennsylvania Railroad Co. v. Locomotive Truck Co.*, 110 U.S. 490, and cases there cited.”

Blake v. San Francisco, 113 U.S. 679 at 682.

The patents in suit are invalid because there is no invention and the Trial Court erred as a matter of law, in finding invention.

DEFENDANTS' DEVICE FOLLOWS PRIOR ART — NO INFRINGEMENT.

The Trial Court completely ignored that defendants' device followed the teachings of the prior art more closely than the patented devices. The Chart appended hereto (Appx. C, p. 3) for the convenience of Your Honors compares defendants' device with the prior art patent to Ham, Figure 3.

It will be immediately obvious from comparing pages 1, 2 and 3 of Appendix C, that defendants' device and the Ham device are quite different than the patented devices in patents '233 and '234. The patented devices are complicated, require a separate **flywheel or inertia element**, and in general have no similarity with defendants' and the Ham device as shown on page 3 of Appendix C.

It is obvious from comparing pages 1, 2 and 3 of Appendix C that defendants never copied the patented devices and that Finding 71 (on willful and deliberate infringement) is clearly erroneous as there is no evidence to support it.

It is further obvious from page 3 of Appendix C that defendants' device more closely follows the prior art device of Figure 3 in the Ham patent. As seen on page 3 of Appendix C, defendants' and Ham's devices employ a rotatable reel on which the cable or strap is wound, fixed locking teeth, a locking pawl carried by the rotatable reel, and a spring biasing the pawl into the normal or unlocked position. When the cables or straps move the reels too quickly or with abnormal movement or acceleration, then the pawls pivot outwardly against the bias of the springs and into contact with the fixed

locking teeth, thus stopping further movement of the reels and the cables or straps.

In comparison, the patented devices utilize a great many elements, none of which includes the simple, movable, **spring biased pawl** principle employed in the devices of defendants and Ham.

The Trial Court ignored the fact that defendants' device more closely followed the Ham device than the patented devices and erred in finding infringement.

With the same facts, this Court has repeatedly held that defendants' device could not be an infringement.

"The appellee points out that its alleged infringing device follows the teaching of the prior art more nearly than the patent claims in dispute. 'Hence, appellee claims that it does not infringe, and that the patent claims 13 and 14 are invalid. The trial court so held.' "

Crowell v. Baker Oil Tools, Inc., 153 F. 2d 972, 982 (C.A. 9, 1946).

Also see:

R. H. Baker & Co. v. Smith-Blair, Inc., 331 F. 2d 506, 510 (C.A. 9, 1964).

The other Circuit Courts of Appeal uniformly agree with this Court:

"To allow patentee now to claim every means for equalizing the strain on both sides of vehicles would allow him to extend his invention to include the prior art. This he cannot do."

Huntman Stabilizer Corp. v. General Motors Corp., 144 F. 2d 963, 967 (C.A. 3, 1944).

“[I]t would seem to be clear that the appellees follow Van der Grinten (prior art patent) and so do not infringe.”

Kalle & Company, et al. v. The Multago Company, 109 F. 2d 321, 327 (C.A. 6, 1940).

“Defendant learned everything it needed from Largos (prior art) in this detail. It does not infringe.”

Cosco Products Corp. v. Sinko Tool & Mfg. Co.
116 F. 2d 119 (C.A. 7, 1940).

Also see:

Scott Paper Co. v. Carcalus Co., 326 U.S. 242.

In view of these facts and law, this Court should be compelled to reverse the Trial Court and find no infringement provided the claims in suit are not held invalid in the first instance.

This Court should be aware that the first patent in suit '233 issued with thirteen claims and the second patent in suit '234 issued with fourteen claims. Plaintiff knew that its patented device was vastly different than defendants' device.

Therefore, out of these twenty-seven claims, plaintiff could only **stretch** four claims to even arguably allege infringement thereof by defendants' device. However, in attempting to broaden these four claims to cover defendants' device, plaintiff has clearly emphasized the invalidity of such claims which read **directly** on the prior art as indicated by pages 1 and 2 of Appendix C and Exhibits I to T.

Plaintiff is in the same untenable position of any patentee who is required to broaden the patent claims to find infringement but in doing so the broadened claims read on the prior art.

This Court should either find the four claims in issue invalid or not infringed.

"[T]he defendant has not adopted Mathe's system, but has gone to the prior art. . . . These differentiations make it clear that by no liberality of interpretation can we stretch claim 25 to read upon the defendant's device, if, indeed, it is not anticipated by the patent to Colpitts, and Arnold above referred to."

Western Electric Co. v. Sol Wallenstein, 60 F. 2d 723, 732 (C.A. 2, 1932).

TRIAL COURT ERRED IN FINDING INFRINGEMENT.

If this Court believes that the four claims of the patent in suit are valid, then a detailed review of the trial record should compel a reversal of the Judgment on the grounds of infringement. The Trial Court ignored the well-established rule that infringement can only be found where defendants' device includes each of the elements contained in each of the four claims in issue. The omission of a single element (the inertia member) avoids infringement.

"In a combination patent, such as infringed in this case, every element of the particular claim is presumably an essential and, therefore, every element of the claim, or its functional equivalent, must ordinarily be found in the accused article."

Lockwood v. Langendorf United Bakeries, Inc., 324 F. 2d 82, 88 (C.A. 9, 1963).

"In a suit for infringement of a combination claim, an accused device must embody all of the elements of the claim and an omission of a single element avoids infringement."

Stewart-Warner v. Lone Star Gas Co., 195 F. 2d 645, 649 (C.A. 5, 1952).

Your Honors should review Exhibits U, V, W and X which are defendants' claim charts illustrating that each of the four claims in issue are not infringed by defendants' device as defendants' device does **not** utilize an inertia member separate from the reel and the locking means or locking pawl. Each of the four claims as exemplified in Exhibits U to X require a safety device having three distinct elements:

- (1) a rotatably mounted reel;
- (2) locking means, *i.e.*, a locking pawl; and
- (3) an inertia member turnably movable or rotatably mounted with respect to the reel.

Defendants' patent expert found no infringement because there was **no** separate "inertia member" in defendants' device as illustrated on Exhibits U to X (R. Vol. III, p. 1518). There was no cross-examination of defendants' expert on Exhibits U, V, W and X nor any attempt to refute or overcome such Exhibits by evidence or testimony on the part of plaintiff.

Plaintiff purposely did not and could not prepare and introduce into evidence a claim chart comparing the elements of each of the claims in issue with the elements of defendants' device because it would have been obvious that the separate "**inertia member**" in each of the claims was **missing** from defendants' device. Referring to Exhibits U to X, Your Honors will note that the patented device requires a separate inertia member (colored blue) and there is no corresponding inertia member in defendants' device.

Plaintiff's *prima facie* case of infringement was introduced into evidence through its Director of Engineering, Mr. Glauser, who was never considered to be a patent expert by the Trial Court (R. Vol. III, p. 676).

On direct examination, Mr. Glauser was forced to resort to reversing parts on defendants' device in order to find even a *prima facie* case on infringement (R. Vol. III, p. 723). However, on cross-examination, Mr. Glauser could not tell the Court how the elements in defendants' device could be reversed in order to support his direct examination and testified:

"You are asking me to design another harness reel." (R. Vol. III, pp. 881-82).

Plaintiff has no evidence or testimony to support the Trial Court's finding of infringement. Plaintiff's own Director of Engineering admitted he would have to design a new reel which of necessity would require substantial change of parts. The Trial Court erred in finding infringement based upon Mr. Glauser's testimony.

See:

Kenyon v. Automatic Instrument Co., 89 Fed. Supp. 602 affirmed by C.A. 6 at 186 F. 2d 752; and

American Seating Co. v. Ideal Seating Co., 124 F. 2d 70 (C.A. 6).

PLAINTIFF IS ESTOPPED TO CLAIM INFRINGEMENT WHERE DEFENDANTS' DEVICE OMITTS SEPARATE INERTIA ELEMENT.

The history of the development of the safety devices in the patents in suit estop plaintiff from claiming infringement.

The history of the patented device initiated with a disclosure by the inventor, Pfankuch, of a safety device (Ex. 63) on November 27, 1950, which was later reduced to a model. Pfankuch's early model (1950) did **not** have an inertia member **separate** from the reel or drum and from the locking means or pawl (R. Vol. III, p. 274). Both alleged inventors, Pfankuch and Wrighton, testified that Pfankuch's early model (Ex. 63) was unsatisfactory, inconsistent and did not meet military specifications (R. Vol. III, pp. 275, 303 and 357).

Subsequently, Messrs. Pfankuch and Wrighton designed the safety device as shown in patent '233 having an inertia element which was separate from the reel or drum and from the locking means or pawl and this overcame the problems of Pfankuch's earlier model (Ex. 63) that did **not** have a **separate** inertia element (R. Vol. III, pp. 303, 357, 359 and 375).

It was uniformly agreed by the alleged inventors and other witnesses that the patented safety device required **three** separate elements:

- (1) the cable reel;
- (2) a separate inertia element; and
- (3) a separate locking pawl or means. (R. Vol. III, pp. 315, 455-58, 768, 824, 963, 1137, 1140, 1154-56, 1185, 1195, 1202-03).

Both alleged inventors, Pfankuch and Wrighton, admitted that the **separate inertia element** in the patents in suit was an **essential** element (R. Vol. III, pp. 315-17, 358-59), which was confirmed by defendants' witnesses (R. Vol. III, pp. 1137-40, 1161-62, 1311-12 and 2195).

The history and development of the safety devices of the patents in suit definitely establish through the alleged co-inventors and all of the other witnesses that there are **three separate elements required**, namely, a **reel**, an **inertia element** and a locking means or **pawl**. It was also established during the trial that the separate inertia element was **essential** and the early safety device as designed by plaintiff (Ex. 63) did **not** operate satisfactorily **without a separate inertia element** which was separate from the reel and the locking pawl.

Your Honors should also be aware that plaintiff has never sold a device similar to plaintiff's early model (Ex. 63) which did not have a separate inertia element and has never sold any commercial device which did not have a separate inertia element separate from the reel and locking pawl (R. Vol. III, pp. 276, 826, 457 and 236).

There is uncontradicted testimony that plaintiff's patented device requires an inertia member separate from the reel and the locking pawl, which is not found in defendants' device (See Exs. U, V, W and X). This Court is compelled to find no infringement because an **essential element** of the claims in issue (*i.e.*, separate inertia element) is **missing** from defendants' device. See *Stewart-Warner v. Lone Star Gas Co.*, 195 F. 2d 645 (C.A. 5, 1952).

NO INFRINGEMENT BECAUSE OF FILE WRAPPER ESTOPPEL.

The doctrine of file wrapper estoppel prevents plaintiff from now attempting to broaden its claims and claim defendants' device is an infringement.

As established hereinabove, defendants' device does **not** include a **separate inertia element** which is separate from the reel and locking means, *i.e.*, locking pawl, as required in the claims in issue of the patents in suit. During prosecution of the applications which issued as the patents in suit, plaintiff was required to add to the claims language to define an inertia member to overcome the prior art patent to Sharpe (Ex. D).

It is well settled that if the device which is accused to be an infringement falls within that area which was excluded from the claims in order to meet objections of the Patent Office, then file wrapper estoppel will prevent the party suing on the patent from claiming infringement by equivalents.

See:

Van Brode Milling Co., Inc. v. Cox Airguage System, Inc., 279 F. 2d 313 (C.A. 9, 1960);

D & H Electric Co. v. M. Stephens Mfg. Co., Inc., 233 F. 2d 879 (C.A. 9, 1956);

Exhibit Supply Co. v. Ace Corp., 315 U.S. 126.

In the present case, such a file wrapper estoppel was established in the first patent '233 and carried over into the second patent '234.

In the file wrapper (Ex. 131) of the first patent in suit (Ex. 1), the Patent Office finally rejected (Ex. 131, pp. 40-41) most of the claims present in the application at that time and primarily relied upon a prior

art patent to Sharpe (Ex. D). The Sharpe patent disclosed a safety device substantially identical in function and operation to Pfankuch's early model (Ex. 63; R. Vol. III, p. 1322) which included a reel and locking means but did **not** include a separate inertia element separate from the reel and separate from the locking means (R. Vol. III, pp. 1320-22).

In an attempt to overcome the Sharpe patent used to finally reject the claims, plaintiff filed an amendment (Ex. 131, pp. 54-61) in the Patent Office on March 1, 1956, and added new claims 23 and 25 which subsequently issued as claims 7 and 9, respectively, of the patent in suit '233 (Ex. 1).

Claim 25 did not require a separate inertia member and was still fully anticipated by the Sharpe patent. Claim 23 did not specifically require the inertia member to be turnably movable with respect to the reel nor was the inertia member definitely related to the other elements of the claim, and therefore the Sharpe patent still anticipated claim 23.

In this amendment of March 1, 1956, plaintiff interpreted claim 23, which issued as claim 7 of patent '233, as follows:

"This claim includes in addition the inertia member 46, means namely gearing 41, 42, connecting the inertia member to the reel, locking means, namely, pawl 58, within the device for engaging the reel, . . ." (Emphasis added.) (Ex. 131, p. 58).

Therefore, plaintiff has **interpreted** its own claims and is now estopped to change or broaden this interpretation. Plaintiff's interpretation to overcome the

Sharpe patent required three distinct and separate elements;

- (1) a reel;
- (2) an inertia member 46; and
- (3) locking pawl 58.

The Patent Examiner then rejected the new claims (Ex. 131, p. 62) and held:

“Claims 23-25, as amended, are still held to be unpatentable over Sharpe, Scheuer, Caouette or Trouin. The recitation of a particular use for the inertia reel does not render these claims patentable . . .”

“Claims 26-28 are still held to be unpatentable over Sharpe. The inertia member and its relationship to the floating reel is too broadly recited in these claims to be considered inventive over the inertia responsive radially movable reel of Sharpe.”

Plaintiff then filed a Notice of Appeal (Ex. 131, p. 63) and an Appeal Brief (Ex. 131, pp. 64-72) wherein plaintiff again interpreted claims 23 and 25 (claims 7 and 9 of '233 patent) as requiring three separate elements:

“Referring now to claim 23, it will be noted that this claim calls for an inertia lock device . . . having a rotatably mounted reel 44 therewithin, . . . an inertia member, i.e., fly wheel member 46, and . . . locking means, i.e., **pawl 58**, within the device for engaging the reel . . .” (Ex. 131, p. 70).

“Claim 25 includes supporting housing 21-22 which is not disclosed in Sharpe, . . . This claim also includes locking means, i.e., *pawl 58* . . .” (Ex. 131, p. 71).

At the same time, May 10, 1956, as the Appeal Brief was filed, plaintiff filed an amendment (Ex. 131, pp. 73-76) which clearly and irrefutably **added the separate inertia member** to claims 23 and 25 to make these claims conform to plaintiff's interpretation as pointed out above (R. Vol. III, p. 1167).

Claim 25 which did **not** have an inertia element was amended to include:

“... an inertia member within said housing turnably mounted with respect to said reel means, means for coupling said inertia member to said reel means, . . .” (Ex. 131, p. 73).

Claim 23 was also amended and now required the inertia member to be “turnably movable with respect to said reel, means for ” connecting said inertia member to the reel (Ex. 131, p. 73).

In this same amendment, plaintiff admitted (Ex. 131, p. 75) that **“the claims are now narrower”** if the amendment was entered.

The Patent Examiner filed his “Examiner's Answer” (Ex. 131, p. 77) to this appeal by plaintiff and **in view of the amendments to claims 23 and 25 withdrew the Sharpe patent.**

“However, due to limitations added by the amendment filed May 10, 1956, the Sharpe reference is no longer pertinent.” (Ex. 131, p. 79).

It is therefore clear and plaintiff is **estopped** to deny that the Sharpe patent was withdrawn as a reference because of the amendments to these claims and the supporting admissions as contained in the amendment of May 10, 1956, which irrefutably established that these claims required three separate members, (1) the

reel, (2) the inertia element 46, and (3) **the locking pawl 58.**

The Sharpe patent only had two of these elements, a reel and locking means and **did not have an inertia member separate from the reel and locking pawl.**

Therefore, if there was an advance by plaintiff, then it would have to be the addition of a separate inertia element or flywheel over the Sharpe patent and also over the early Pfankuch disclosure and model (Ex. 63) as testified to by Gabriel, defendants' patent expert (R. Vol. III, p. 1164).

On page 67 of Exhibit 131, plaintiff admits what the invention was:

“Applicants, by incorporating a geared-up fly-wheel within their reel, have been able to produce a reel of small size and over-all weight which will serve the purpose, and this is invention of high order.”

Plaintiff is now **estopped**, by **its own admissions**, before the Patent Office, from attempting to **combine** the separate **inertia element 46** with the **locking pawl 58** in order to have claims 7 and 9 (claims 23 and 25) of patent '233 read on the **single locking element 38 in defendants' device.** Mr. Gabriel, defendants' patent expert, testified:

“A. Yes, this is a clear case of file wrapper estoppel in that regard.” (R. Vol. III, p. 1167).

Plaintiff is estopped to now claim a broader scope of its claims in view of the file history and what this Court has held in *Moon v. Cabot Shops, Inc.*, 270 F. 2d 539 (1959):

“... Claims of a patent must be construed not only in the light of the specification and drawings.

bur also with reference to the file wrapper history. *Whiteman v. Matthews*, 9 Cir., 216 F.2d 712, 715, 104 USPQ 83, 85. That is, the claims of the patent must always be explained by and read in connection with the specifications and in the light of definitions and admissions made by applicant in the proceedings in the Patent Office."

Mr. Gabriel's testimony of file wrapper estoppel is unrefuted by plaintiff whose counsel **refused to cross-examine** Mr. Gabriel on such testimony.

The only witness for plaintiff who discussed the claims and file histories of the patents in suit was Mr. Glauser, who admitted on *voir dire* examination that he **was not** a patent expert (R. Vol. III, p. 526); **did not know** if the specification of a patent limits the scope of the interpretation of claims (R. Vol. III, p. 982); and **did not know** there can be no infringement by a device if there is a different mode of operation involved than that used by patented device (R. Vol. III, p. 990).

Plaintiff has offered no testimony to rebut Gabriel's testimony which definitely established that claim 9 of the '223 patent (Ex. X; R. Vol. III, p. 1516), claim 7 of the '233 patent (Ex. V; R. Vol. III, p. 1520), claim 1 of the '234 patent (Ex. W; R. Vol. III, p. 1524), and claim 5 of the '234 patent (Ex. X; R. Vol. III, p. 1530) were not infringed by defendants' device.

In the event claims 7 and 9 of patent '233 are valid, then Your Honors should be compelled to find defendants' device **is not an infringement because of file wrapper estoppel**.

FILE WRAPPER ESTOPPEL OF '233 PATENT CARRIES OVER TO '234 PATENT.

Plaintiff admits the '234 patent is allegedly an improvement over the '233 patent (R. 603) and it is so stated in the specification of the '234 patent (Col. 1).

The primary improvement of the '234 patent was eliminating translational movement of the entire drum or reel assembly as required in the operation of the safety device of the '233 patent (R. Vol. III, pp. 378-79 and 1188).

This improvement of the '234 patent did not involve eliminating the separate inertia element as this was an **essential element** (R. Vol. III, p. 1189). The same three separate essential elements, (1) a reel, (2) an inertia member, and (3) a locking pawl, were still required in the alleged improvement of the '234 patent as were required in the '233 patent and its file history.

Defendants' expert, Mr. Gabriel, testified that the **essential elements** and the **estoppels** that were created in the '233 patent **were carried over into the alleged improvement, '234 patent** (R. Vol. III, p. 1189).

Therefore, patents '233 and '234 can not be infringed by defendants' device because of the file wrapper estoppel on the separate inertia element.

NO INFRINGEMENT BECAUSE DEFENDANTS' DEVICE HAS A DIFFERENT MODE OF OPERATION THAN PATENTED DEVICE.

In addition to the reasons stated heretofore why defendants' device is not an infringement of the patents in suit, a further reason is that defendants' device has a **different mode of operation** than the patented device.

This Court has uniformly held that a plaintiff must establish infringement by showing the accused device not only meets the terms of the patent claims but also has the same mode of operation as the patented device.

Your Honors in *Grant v. Coppell et al.*, 99 F. 2d 106, 110, in finding non-infringement, held:

"We note that appellant contends that the claims of the patent in suit read upon appellee's device. We may assume that this is true especially as to claim 9. But infringement is not a mere matter of words. Here, we hold that the mode of operation is different and there is no equivalency of means."

Again in 1963, Your Honors in *Lockwood v. Langendorf United Bakeries, Inc.*, 324 F. 2d 82, 88, also held:

"The mere fact that the accused article performs the same function and achieves the same result as the patented article does not necessarily establish infringement unless it can be found that this is accomplished substantially the same way and where, as in this case, the art is fairly crowded and main elements of the patent are found or indicated in prior art, this issue should be determined narrowly rather than liberally."

Plaintiff's own witness on cross-examination compared defendants' device with the patented device and correctly, stated that "these are two entirely different units" (R. Vol. III, p. 468).

Defendants' device is entirely different than the patented device as admitted by plaintiff's primary witness and Director of Engineering, Mr. Glauser, who testified there were at least **three** different modes of operation in the patented device not found in defendants' device.

On cross-examination, Mr. Glauser admitted that the **first** difference in mode of operation of defendants' device was in not requiring **any translation** of the reel or drum assembly (R. Vol. III, pp. 89-90). Defendants' experts agreed with plaintiff's expert (R. Vol. III, pp. 1120 and 1313).

Mr. Glauser then admitted that the **second** difference in the mode of operation of defendants' device was in the *unbalancing* of defendants' device by having the locking pawl mounted eccentrically on the reel (see Chart 3), whereas, the patented device had the elements arranged to provide a *balanced* device. (R. Vol. III, pp. 985-86). Again, this second difference in the mode of operation of defendants' device was confirmed by defendants' witness (R. Vol. III, p. 1205).

Mr. Glauser also admitted that there was a **third** difference in the mode of operation between defendants' device and the patented device in that the patented device required a **manual unlocking** feature and defendants' device did not (R. Vol. III, pp. 986-87). This third difference was also confirmed by defendants in R. Vol. III, pp. 1205 and 1328-29.

The three differences in the mode of operation between defendants' device and the patented device as established by plaintiff's own chief witness, Mr. Glauser, and confirmed by defendants' witnesses, has **not** been refuted or controverted in any way by plaintiff.

Therefore, in view of the unrefuted testimony and law, as set forth above, Your Honors should be compelled to find the patents in suit are not infringed because defendants' device utilizes a different mode of operation than that required by the device covered by the patents in suit.

CONCLUSION.

In this brief, defendants have earnestly attempted to concisely present the facts (with supporting record references) directed to the determinative issues, in order to facilitate the work of this Court. Only controlling precedents have been cited.

Your Honors are respectfully requested to consider the "Question Presented" on pages 22-25 of this brief. It is submitted that the record evidence compels affirmative answers to questions 1 and 2. Legal precedents require that the answer to question 3 be "no invention".

It is submitted that the public interest, the facts and the right of men to utilize what is in the public domain will cause this Court to hold that the public (and defendants) cannot be restrained from adapting and freely using the teachings and devices in the public domain (question 4).

The subject matter relates to an old art which has expanded because the use of the airplane has grown.

In answering question 5, it is believed that the Court will conclude that the patents in suit involved only the obvious substitution of mechanical equivalents available in the prior art, without the production of a new or unobvious result. This Court will not be misled by the “man-sensitive” straw man concocted by plaintiff.

Compliance with statutory requirements and the standards of patentability, which this Court has consistently endorsed, necessitates answers to questions 6, 7 and 8 which support defendants’ position.

Questions 9 and 10 must be answered in defendants’ favor in view of the exhibits, facts and law concerning noninfringement of this case.

Defendants advocate with sincerity and conviction that the Judgment of the Trial Court be reversed, with costs.

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GUY PORTER SMITH,
of
MIKETTA, GLENNY, POMS &
SMITH,
Attorneys for Appellants.

Of Counsel:

E. SEWARD STEVENS,
of
GUION and STEVENS.

Certificate.

I certify that in connection with the preparation of this brief I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

WILLIAM POMS



APPENDIX A.

Pertinent Sections of Title 35, U.S.C.

§101 "Inventions patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title. * * *

§102 "Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

* * *

(c) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or * * *

§103 "Conditions for patentability; non-obvious subject matter

A patent may not be obtained though the invention is not identically disclosed or described as set forth in sec-

tion 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.”

§115 Oath of applicant

The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; and shall state of what country he is a citizen. Such oath may be made before any person within the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer having an official seal and authorized to administer oaths in the foreign country in which the applicant may be, whose authority shall be proved by certificate of a diplomatic or consular officer of the United States, and such oath shall be valid if it complies with the laws of the state or country where made. When the application is made as provided in this title by a person other than the inventor, the oath may be so varied in form that it can be made by him. * * *

APPENDIX B.

DEFENDANTS' EXHIBITS.

<u>Description</u>	(Pages in Record Vol. III)	
	<u>For Ident.</u>	<u>In Evid.</u>
Prior art book of patents	119	119
Enlargement of Ham patent No. 700,763	1210	1229
Enlargement of Ricketts patent No. 1,393,570	1215	1229
Enlargement of Burdon patent No. 888,418	1219	1229
Enlargement of defendants' device	374	376
Claim chart—claim 9 of patent '233 and Ham 700,763	1223	1229
Claim chart—claim 9 of patent '233 and Ricketts 1,393,570	1230	1233
Claim chart—claim 9 of patent '233 and Burdon 888,418	1233	1237
Claim chart—claim 7 of patent '233 and Ham 700,763	1237	1241
Claim chart—claim 7 of patent '233 and Ricketts 1,393,570	1241	1244
Claim chart—claim 7 of patent '233 and Burdon 88,418	1244	1247
Claim chart—claim 1 of patent '234 and Ham 700,763	1247	1250
Claim chart—claim 1 of patent '234 and Ricketts 1,393,570	1250	1254
Claim chart—claim 1 of patent '234 and Burdon 888,418	1254	1256
Claim chart—claim 5 of patent '234 and Ham 700,763	1257	1260
Claim chart—claim 5 of patent '234 and Ricketts 1,393,570	1260	1263
Claim chart—claim 5 of patent '234 and Burdon 888,418	1263	1267
Claim chart—claim 9 of patent '233 and defendants' device	1512	1516
Claim chart—claim 7 of patent '233 and defendants' device	1516	1520
Claim chart—claim 1 of patent '234 and defendants' device	1520	1524

DEFENDANTS' EXHIBITS (Continued)

Ex.	<u>Description</u>	(Pages in Record Vol. III)	
		<u>For Ident.</u>	<u>In Evi</u>
X	Claim chart—claim 5 of patent '234 and defendants' device	1525	153
Z	Letter of June 22, 1962	168	17
AA	Letter of Nov. 3, 1958	174	17
AB	Plaintiff's report no. 509	758	77
AC	Spool of plaintiff's model 0108	853	86
AD	Ring of plaintiff's model 0108	853	86
AE	Ring of plaintiff's model 0108	853	86
AF	Casing for plaintiff's model 0108	853	86
AG	Rewind spring for plaintiff's model 0108	853	86
AH	Tension spring for plaintiff's model 0108	854	86
AI	Claim chart—claim 1 of patent '234 and Cushman's early device	1273	127
AJ	Claim chart—claim 5 of patent '234 and Cushman's early device	1279	128
AK	Plaintiff's answers to defendants' interrogatory no. 10	—	127
AL	Swedlow sketch	—	129
AM	Swedlow sketch (case one)	1299	130
AN	Swedlow sketch (case two)	1301	130
AO	Swedlow sketch (case three)	1303	130
AP	Swedlow sketch (case four)	1304	130
AQ	Swedlow sketch	1342	135
AR	Swedlow report	1352	136

PLAINTIFF'S EXHIBITS.

<u>Description</u>	(Pages in Record Vol. III)	
	<u>For Ident.</u>	<u>In Evid.</u>
Patent in suit No. 2,845,233	20	24
Patent in suit No. 2,845,234	20	24
Assignment of patent '233	22	24
Assignment of patent '234	22	24
Merger agreement between plaintiff, Pacific Scientific Co. and Pacific Scientific Aeroproducts	23	24
Plaintiff's model 0106	24	718
Plaintiff's model HR 30	26	718
Plaintiff's model 0108	26	718
Plaintiff's model 0103114	26	718
Plaintiff's model 0103144	26	718
American Seating Co.'s model 0-4600	26	205
Hardman Co. model	35	720
Defendants' model 65-A	35	580
Teleflex Products Ltd.'s model D73766	35	85
Teleflex Products Ltd.'s model	35	85
Aircraft Mechanics Inc.'s model 758	35	718
License agreement—American Seating	35	38
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License Agreement—Teleflex	41	47
Extension of License Agreement—Teleflex	41	47
Foreign license agreement—Shimadzu	41	47
Foreign License Agreement—Sarma	41	47
Foreign License Agreement—Sarma	41	47
Plaintiff's U.S. sales graph	47	52
Plaintiff's foreign sales graph	48	57
Plaintiff's U.S. and foreign sales graph	48	57
Plaintiff's sales books	48	—
Plaintiff's foreign sales books	53	57
Foreign (Teleflex) royalty reports	53	57
Foreign (Shimadzu) royalty reports	53	57

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(Pages in Record
Vol. III)

<u>Ex.</u>	<u>Description</u>	<u>For Ident.</u>	<u>In Ev.</u>
31	Foreign (Sarma) royalty reports	53	57
33	British patent no. 746,540	73	97
34	French patent no. 1,096,312	73	97
35	Japanese patent no. 279,878	73	97
36	Canadian patent no. 581,902	73	97
37	British patent no. 761,518	73	97
38	French patent no. 1,116,502	73	97
39	W. German patent no. 1,013,176	73	97
40	Japanese patent no. 237,977	73	97
41	Canadian patent no. 569,635	73	97
42	May 14, 1958 letter	86	90
43	May 19, 1958 letter	86	90
44	July 15, 1958 letter	86	90
45	October 7, 1958 letter	86	90
46	Invoice No. LAA 14128	86	94
48	Defendants' specification-single AOT MOD 94	510	51
49	Defendants' specification-double AOT MOD 95	510	51
50	Defendants' brochure—Model 95 E	510	51
51	Defendants' magazine (March, 1959)	510	51
52	Defendants' Magazine (Summer, 1960)	510	51
53	Defendants' brochure—Model 95	510	51
54	Defendants' drawing 48123	410	42
55	Defendants' drawing 49099	410	42
56	Defendants' drawing 49354	410	42
57	Defendants' drawing 49510	410	42
62	American Seating's sales chart	213	22
63	Pfankuch's early disclosure of a safety device	273	29
64	Cushman model—Nov. 20, 1952	337	34
65	Cushman disclosure	400	40
66	Spielman patent no. 2,982,492	423	43
67	National Advisory Committee for Aeronautics' Technical Note	630	63

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<u>Description</u>	(Pages in Record Vol. III)	
	<u>For Ident.</u>	<u>In Evid.</u>
Plaintiff's data report 557	439	449
Enlarged Fig. 1 of patent '233	527	551
Enlarged Fig. 1A of patent '233	531	551
Enlarged Fig. 2 of patent '233	533	551
Enlarged Fig. 3 of patent '233	533	551
Enlarged Fig. 5 of patent '233	533	551
Enlarged Fig. 1 of patent '234	552	574
Enlarged Fig. 2 of patent '234	552	574
Enlarged Fig. 3 of patent '234	552	574
Enlarged Fig. 4 of patent '234	552	574
Enlarged Fig. 6 of patent '234	552	574
Enlarged Fig. 7 of patent '234	552	574
Pictorial view of defendants' models 95 & 65	581	600
Pictorial view of defendants' models 94 and 102	581	600
Pictorial view of defendants' models 94 and 102	581	600
Section view of defendants' models 94 and 102	581	600
Section view of defendants' models 94, 102, 95 and 65 (unlocked)	581	600
Section view of defendants' models 94, 102, 95 and 65 (locked)	581	600
Plaintiff's graph-locking curve for model 95		639
Plaintiff's purchase order, Jan. 31, 1964	577	580
Part of defendants' device	433	450
Plaintiff's computations	614	640
Plaintiff's computations		906
Photograph	498	505
Photograph	498	505
Photograph	498	505
Excerpt from "Analytical Mechanics for Engineers"	614	640
Defendants' model 94 and model 95 casing	575	580
Defendants' model 94 case for spool and locking mechanism of Exh. 95	575	580

PLAINTIFF'S EXHIBITS (Continued)

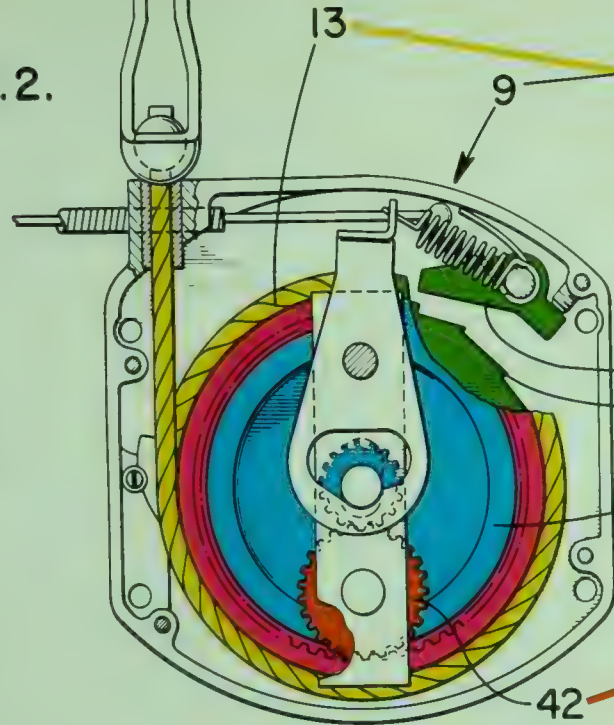
Ex.	Description	(Pages in Reco Vol. III)	
		For Ident.	In Evi
97	Locking mechanism of model 95 used for analysis of Exhs. 87 and 90	575	640
98	View of Fig. 7 of patent '233	544	551
100	File history of Spielman Patent no. 2,982,492	652	661
101	Drawing (sled)		671
102	Claim 7 of patent '233	674	691
103	Bosch patent No. 2,105,469	678	681
109	Claim 9 of patent '233	697	701
110	Claim 1 of patent '234	702	711
111	Claim 5 of patent '234	713	714
113	Prior art patents	746	931
114	Prior art patents	746	931
116	Movie film	1015	—
117	Tube	1008	—
118	Plaintiff's interrogatories 1-21	—	101
119	Defendants' answers to interr. 1-21	—	101
120	Defendants' answers to interr. 9, 10, 11, 16 and 17	—	109
121	Plaintiff's interrogatories 22-28	—	109
122	Defendants' answers to interr. 22-28	—	109
123	Plaintiff's interrogatories 1-33	—	109
124	Defendants' answers to interr. 1-33	—	109
125	Defendants' answers to interr. 13 and 14	—	109
126	Plaintiff's interrogatories 34-49	—	110
127	Defendants' answers to interr. 34-49	—	110
128	Plaintiff's interrogatories 50-57	1105	110
129	Defendants' answers to interr. 50-57	—	110
130	Stipulation	—	110
131	File history of patent '233	—	101
132	File history of patent '234	—	101
133	Deposition of Lautier	—	110
134	Deposition of Spielman	—	110

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<u>Description</u>	(Pages in Record Vol. III)	
	<u>For Ident.</u>	<u>In Evid.</u>
Drawing by Glauser	1435	1437
Defendants' drawing no. 44660	1455	1498
Defendants' drawing no. 44658	1456	1498
Plaintiff's (AY) sketch	1566	1648
Plaintiff's (AY) sketch	1566	1648
Defendants' drawing 65-A	1579	1648
Defendants' drawing 94	1579	1648
Plaintiff's photographs	1592	1647
Plaintiff's photographs	1592	1647
Plaintiff's (AY) sketch	1619	1647
Plaintiff's photographs	1635	1647
Film viewer	1646	1647

9. Safety apparatus adapted to be used on
a moving vehicle, comprising, in
combination,

FIG. 2.



a supporting housing on said
vehicle,
a flexible connector extending from
said supporting housing and adapted
to engage an occupant in the vehicle,

resilient reel means connected
to said flexible member and
carried within said housing for
normally maintaining a light
tension on said flexible connector
while permitting the same to yield,
whereby the occupant is allowed
freedom of motion,

an inertia member within said housing
turnably mounted with respect to said
reel means,

means for coupling said inertia
member to said reel means,

locking means in said housing

said inertia member being operable
by inertia to cause said locking
means to lock said flexible
connector positively against
further movement outwardly with
respect to said housing when said
flexible connector is pulled
outwardly of said housing at a rate
exceeding a predetermined
acceleration, due to forces
tending to dislodge the occupant
from his seat, whereby the
occupant is prevented from being
dislodged.

YES

YES

FIG. 3.

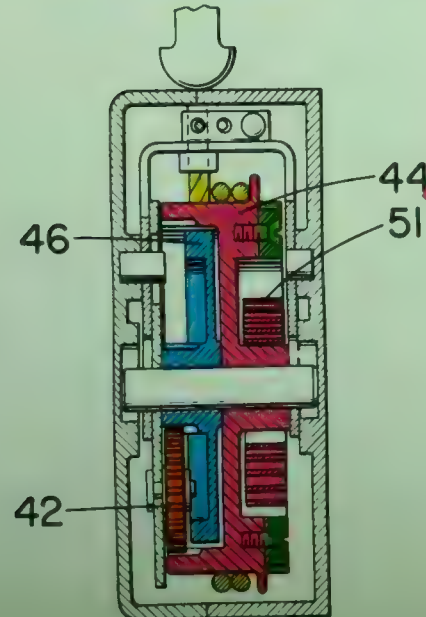


FIG. 2.

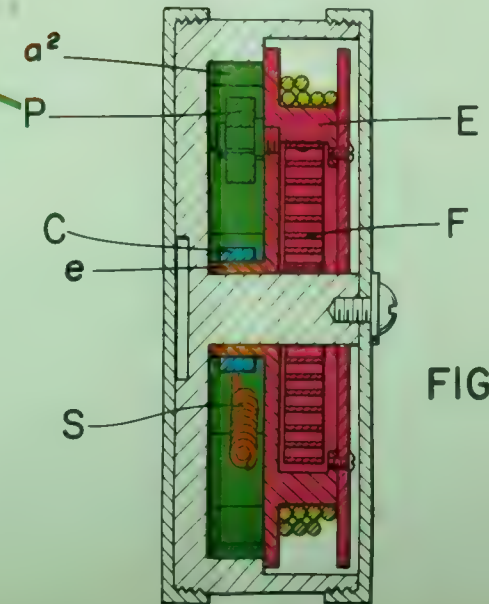
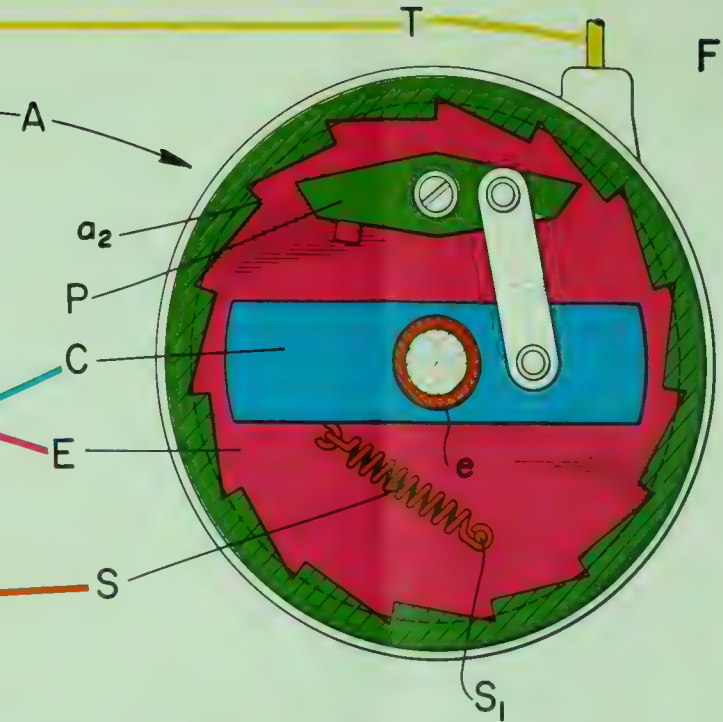
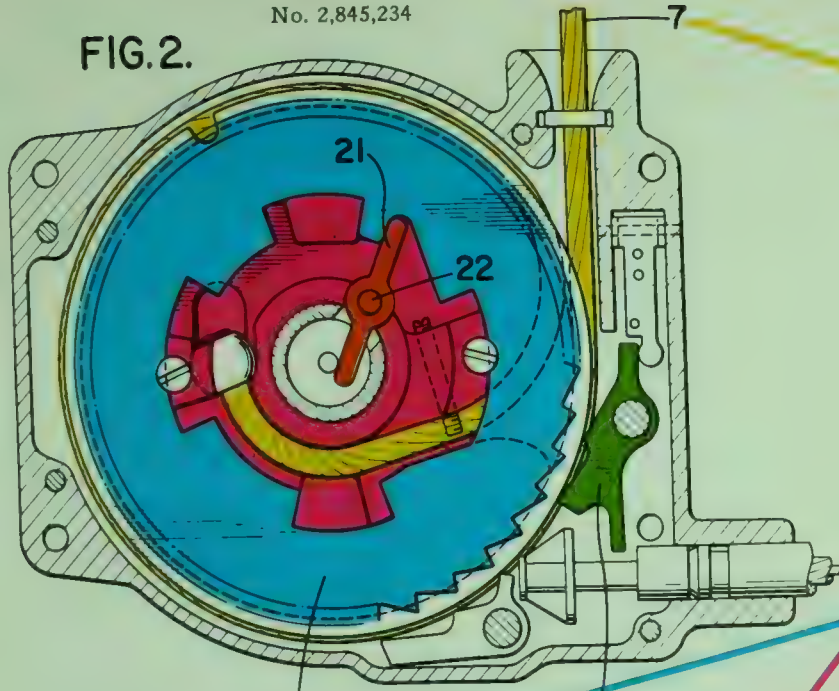


FIG. 1.

FIG. 2.



5. A safety device for mounting in a vehicle to restrain the movement of a body within the vehicle when the body is subjected to relatively high acceleration movement relative to the vehicle comprising

a cable adapted to be coupled to the body,

a rotatably mounted cable reel having said cable secured thereon,

resilient means coupled to said reel for rotating said cable reel in a direction to wind said cable on said reel, said reel rotating in the opposite direction to unwind said cable therefrom due to forces exerted by a pull on the cable,

a rotatably mounted inertia member,

means for yieldably coupling said inertia member to said reel to thereby cause said member to rotate with said reel during rotation in said unwind direction below a certain acceleration,

YES said means yielding during rotation relative to said inertia member,

and means associated with said coupling means operated when said reel rotates relative to said inertia member for stopping rotation of the reel in said unwind direction.

FIG. 2.

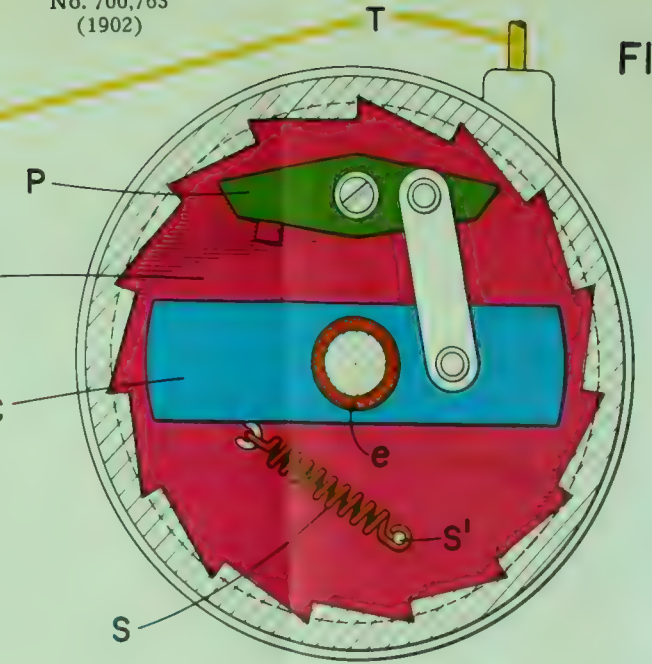


FIG. 3.

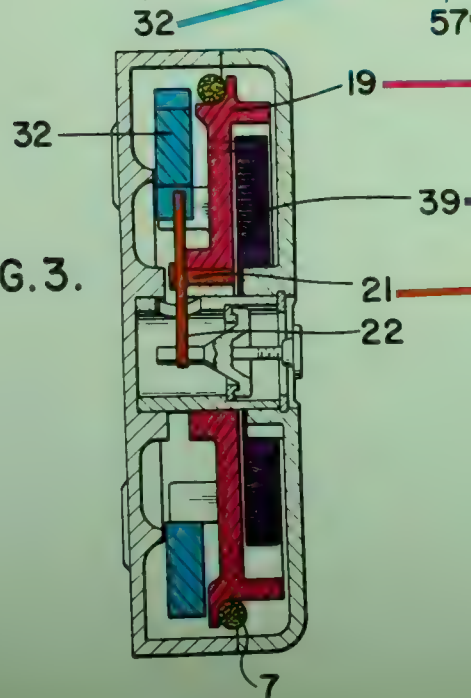
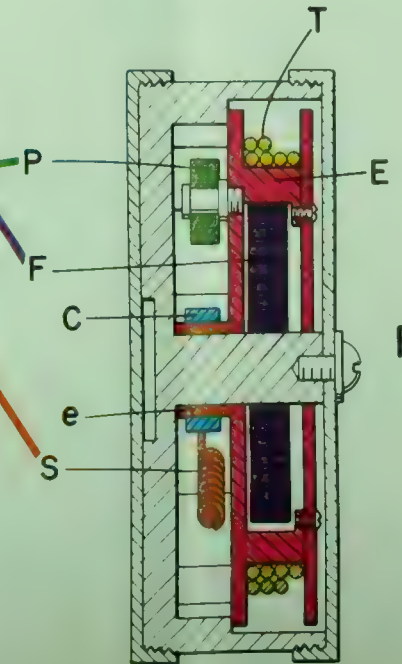
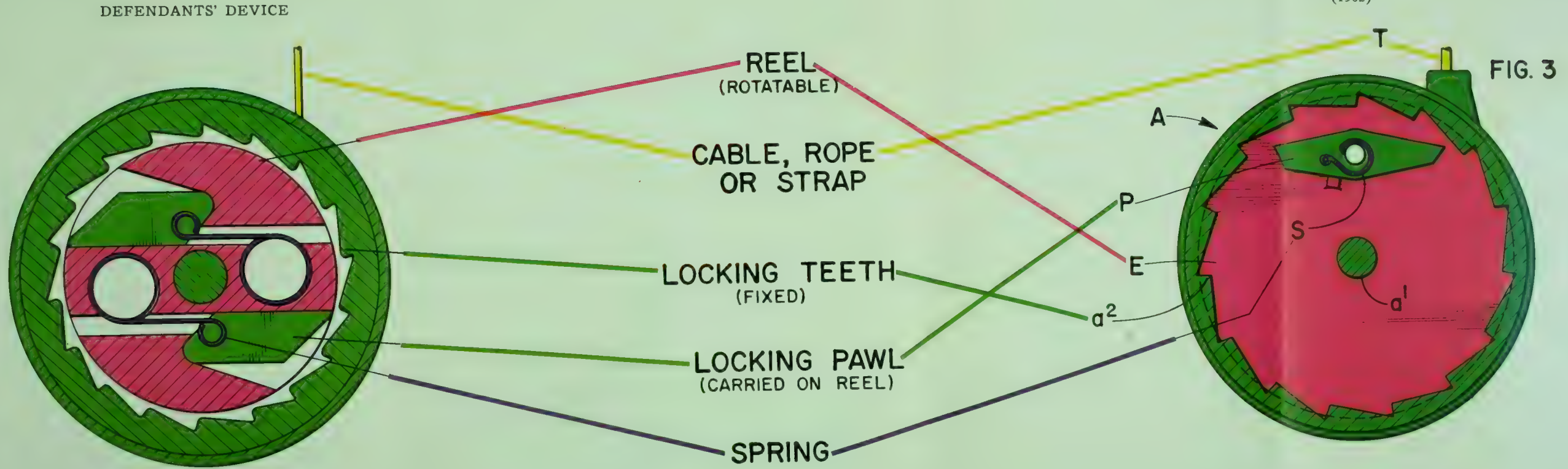


FIG. 1.

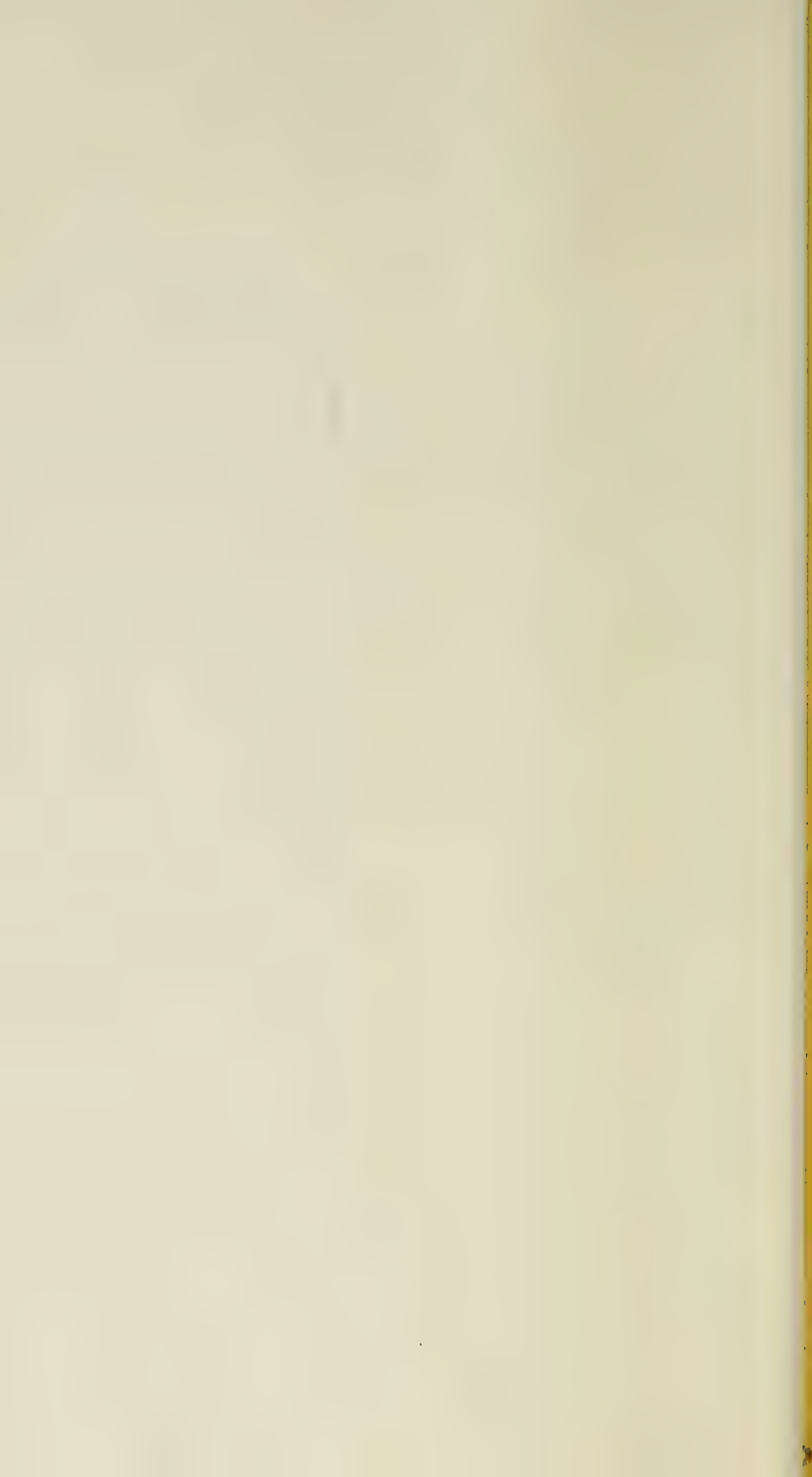


DEFENDANTS' DEVICE
EMPLOYS ELEMENTS OF PRIOR ART

HAM
No. 700,763
(1902)



IN BOTH DEVICES, LOCKING PAWL MOVES OUTWARDLY
AGAINST BIAS OF SPRING TO ENGAGE FIXED LOCKING
TEETH AND PREVENT FURTHER UNWINDING OF CABLE
OR ROPE FROM REEL



No. 20510

FEB 14 1967

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

AEROTEC INDUSTRIES OF CALIFORNIA, a corporation;
AEROTEC INDUSTRIES, INC., a corporation; UNIVERSAL OIL PRODUCTS COMPANY, a corporation,

Defendants-Appellants,

vs.

PACIFIC SCIENTIFIC COMPANY, a corporation,

Plaintiff-Appellee.

BRIEF FOR PLAINTIFF-APPELLEE.

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FILED

OCT 31 1966

WM. B. LUCK, CLERK



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AEROTEC INDUSTRIES, INC., a corporation; UNIVER-
SAL OIL PRODUCTS COMPANY, a corporation,
Defendants-Appellants,

vs.

PACIFIC SCIENTIFIC COMPANY, a corporation,
Plaintiff-Appellee.

BRIEF FOR PLAINTIFF-APPELLEE.

Introduction.

This action involves a contribution to science and a contribution to human welfare made by plaintiff, and defendants' attempt to destroy plaintiff's proprietary position with respect to that contribution.

Plaintiff discovered that more effective protection for pilots for aircraft and the like can be achieved by sensing abnormal movements of the person to be protected and locking him in his seat when such movements exceed a predetermined acceleration, rather than by the then conventional way of sensing abnormal movements of the aircraft or vehicle to cause locking.

Plaintiff's developments are characterized as pilot-sensitive or "man-sensitive safety apparatus" because they sense and respond to acceleration or movement of the man with respect to his seat. Prior art devices are

characterized as “vehicle-sensitive safety apparatus” because they sense and respond to movement of the vehicle and not to movement of the man.

Plaintiff was the pioneer in the development of safety apparatus which is responsive to acceleration of the seat occupant. When plaintiff first submitted proposals to the Air Force on this new approach, they were met with skepticism. This reluctance on the part of the Air Force was overcome after the performance of the safety apparatus was established.

Man-sensitive safety apparatus has widespread use today. The widespread use exists not only in the United States, but widespread use is found in the other major industrial countries of the world. It has largely supplanted the prior art vehicle sensitive safety apparatus.

Plaintiff followed the statutory procedures for protecting its inventions, and through the years built a patent position and a license position on the inventions. Plaintiff’s patents have been respected by virtually all of the industry, with the exception of defendants.

Years after plaintiff introduced its man-sensitive safety apparatus on the market and obtained widespread use thereof, defendants acquired models of plaintiff’s apparatus. Defendants subsequently copied the essential features of plaintiff’s patented inventions into a man-sensitive safety apparatus and introduced their own product on the market.

Plaintiff immediately gave notice to defendants of plaintiff’s patent rights, however, defendants refused to honor them. Therefore, plaintiff brought this action to enforce its patent rights and to protect its proprietary patent position and license position.

Defendants, first having copied the essential features of plaintiff’s inventions, now in this action seek to destroy not only plaintiff’s patent position but plaintiff’s

license position. Defendants seek to do so by throwing up a smoke screen consisting of a large number of technical defenses which are without merit and are not founded in fact.

During the trial plaintiff presented testimony from virtually everyone that had anything to do with the development and the commercial success of the inventions. This included the inventors, plaintiff's president, plaintiff's director of engineering, a competitor, purchasers and users of the apparatus, and plaintiff's employees who analyzed and tested defendants' apparatus.

In contrast, defendants did not produce a single witness who had direct knowledge of the facts. Instead, defendants presented testimony from two witnesses who were employed by its lawyers in California just before the trial started. One of the witnesses is a lawyer and the other is a graduate student at a university. These witnesses had no prior experience in the art or industry to which the inventions pertain. These witnesses apparently did not even visit defendants' quarters in Connecticut where defendants' apparatus was developed and is manufactured, nor did they receive any information directly from defendants. These witnesses received only such information as defendants' lawyers turned over to them.

These witnesses of defendants disagreed with statements made prior to this litigation in defendants' own patent which describes defendants' version of the apparatus in suit, and they disagreed with statements made prior to this litigation in defendants' technical brochures and advertising. This was because defendants' witnesses did not have knowledge of the true facts, and they were willing to testify in accordance with the exigency of the day.

During the trial and in their memoranda before and after trial defendants presented virtually every defense

known to patent law. Defendants' opening brief in this appeal does the same thing, and in addition they seek to try *de novo* virtually all of the questions of fact.

Defendants' CONCISE STATEMENT OF POINTS ON APPEAL and Supplement thereto under Rule 17(6) lists as error most of the findings of fact and all of the conclusions of law concerning the merits made by the Trial Court. These were incorporated by reference into defendants' opening brief on page 11, and they are restated in slightly different language on pages 11-16 of that brief. Many of the asserted errors are frivolous and are based upon misrepresentations as to uncontradicted facts. For example, one of the restated specification of errors in defendants' brief states:

"7. The Court erred in Finding 48 holding that the uncited Ham, Burdon, and Ricketts patents were not as closely related to plaintiff's invention as the cited art (R936), because the Trial Court failed to note that the file history . . . shows that the cited art only showed *velocity-responsive* safety devices, whereas, the Ham, Burdon and Ricketts patents show *acceleration-responsive* devices to which the claims in suit are drawn. That which the Patent Office believed to be a distinction is now demonstrated to be *old*."

Defendants' assertion is directly contrary to the uncontradicted testimony of their own witnesses, Mr. Gabriel, who testified on direct examination that Patent No. 2,370,921 to Sharpe [Ex. D] was cited by the Patent Office against the basic patent in suit [Ex. 1] and is *acceleration-responsive* [R. Vol. III, pp. 1320, 1321].

The Patent Office found plaintiff's inventions to be patentable over the Sharpe patent, and the inventions are certainly patentable over Ham, Burdon and Ricketts.

By way of further example, defendants' CONCISE STATEMENT OF POINTS ON APPEAL UNDER RULE 17(6) states:

"22. The District Court erred in finding that the inventors of the basic patent No. 2,845,233 were the first to conceive the technique of sensing the movement of a man with respect to his seat to cause him to be locked in his seat when abnormal acceleration is sensed, and the inventors were the first to follow up this concept with a model embodying the technique. (Finding of Fact No. 42)."

Not one scintilla of evidence exists that any one prior to the inventors of the patents in suit conceived of the technique of sensing the movement of a man with respect to his seat to cause him to be locked in his seat when abnormal acceleration is sensed.

Defendants also make erroneous representations as to what they think the law is or should be. By way of example, defendants represent on page 58 of their brief to this Court, just as they did to the District Court below, that file wrapper estoppel in one patent carries over to another patent. Defendants apparently could find no authority to support their erroneous contention and attempt to pull themselves up by their bootstraps by citing the testimony of their own patent expert, Mr. Gabriel, for authority. The law is directly *contra* to Mr. Gabriel's testimony.

In view of defendants' attempt to controvert most of the Trial Court's findings of fact as well as the conclusions of law, plaintiff will review the factual background so as to present the essential facts that were developed during the trial.

Also, Defendants' Appendix B fails to show where all of plaintiff's exhibits were introduced into evidence in accordance with Rule 18(f). [*i.e.*, the high speed

movie of Ex. 116]. Appendix I is included herewith giving record pages where these exhibits were entered into evidence.

Statement of Facts and the Manner in Which the Questions on This Appeal Arose.

A. The Patents in Suit.

The patents in suit are United States Patents No. 2,845,233 [Ex. 1] and 2,845,234 [Ex. 2; R. Vol. III, p. 21], both of which issued on July 29, 1958. The District Court found that the patent '233 is a basic patent, with broad claims covering also the '234 patented device, and the patent '234 is an improvement thereof.

The patented inventions are safety apparatus for protecting a man in his seat. The inventions are a system consisting of an inertia reel, adapted to be mounted on the back of a seat, connected to a shoulder strap or cable, which is adapted to be coupled to the body of a seat occupant [R. Vol. III, p. 532]. Appendix B shows photographs of Exhibits 6, 7, 13 and 95 which are plaintiff's and defendants' systems. Appendix C contains a reproduction of Exhibits 70 and 72 which show how the systems are mounted on a seat in the two patents. Appendix D contains a reproduction of Exhibits 81 and 82 showing how defendants' devices are mounted on a seat. In operation, normal movement of the seat occupant causes the strap or cable to be pulled out of the reel or wound back in the reel as the seat occupant moves forward and backward with respect to the back of the seat. In this manner, the seat occupant is given freedom to operate the controls, etc., of the vehicle in which he is riding. However, in the event of an abnormal movement of the seat occupant with respect to the seat, such as would occur in the event of a crash or a violent maneuver or the like, the inertia reel operates to lock and prevent further movement of the strap out of the reel to securely hold the occupant in the seat.

B. The Prior Art.

The prior art safety apparatus for protecting a man in his seat sense the abnormal movement of the vehicle in which the device is mounted to lock the strap, and for this reason is called a "vehicle-sensitive safety apparatus" [R. Vol. III, p. 30]. In contrast, the patented safety apparatus determines when to lock up by sensing the abnormal movement of the seat occupant away from the seat, and therefore is called a "man-sensitive safety apparatus" [R. Vol. III, p. 27]. Plaintiff's patented invention responds to the very thing which is to be protected, the seat occupant, rather than responding to the movement of some other object, such as the vehicle [R. Vol. III, p. 253].

Prior to the patented man-sensitive safety apparatus, the only safety apparatus in commercial use for protecting a man in a seat was of the vehicle-sensitive type [R. Vol. III, p. 32].

Defendants introduced in evidence what it termed a Prior Art Book of Patents [Ex. D]. Out of fifteen prior patents in this exhibit four are directed to the prior vehicle-sensitive safety apparatus (Geohegan, *et al.* — 2,403,653, Nordmark — 2,434,119, Nordmark — 2,701,693, Heinemann — 2,708,555) five are directed to trolley catchers for streetcars (Fairchild — 657,342, Ham — 700,763, Burdon — 888,418, Porter — 1,122,420, Ricketts — 1,393,570), three are directed to fire escape apparatus and apparatus for protecting against falls into space (Scheuer — 1,037,333, Caouette — 1,308,480, Trouin — 2,546,202), one is directed to a cow-kicker (Sharpe — 2,370,921) and two are directed to fishing reels (Foss — 1,744,461, Rutledge — 2,324,324). The present inventions differ from these prior patents in a number of respects. However, suffice it to say at this point that the inventions are directed to safety apparatus which senses abnormal acceleration of a man

relative to his seat to cause him to be locked in his seat, whereas, these prior patents do not even remotely suggest this. All of these patents, except the trolley catcher patents, were specifically cited by the Patent Office against one or the other or both of the patents in suit and the patents in suit were allowed thereover [Exs. 1, 2].

Appendix E contains a reproduction of figures 1 and 3 from the Burdon patent and illustrate how the trolley catchers appear on a trolley car.

Out of these fifteen patents, defendants primarily rely on the vehicle-sensitive safety apparatus disclosed in the Nordmark patent '693 and the Geohegan patent and the antiquated trolley catcher devices shown in the Ham, Burdon and Ricketts patents. The applications for these trolley catcher patents were filed around the turn of this century.

C. The Background of the Patents in Suit; the Deficiencies of the Prior Art and Their Elimination by the Inventions in Suit.

Prior to plaintiff's patented apparatus lives were being lost because of the inadequacies of the prior art apparatus. In this regard, Mr. Pfankuch, a co-inventor of the basic patent '233 in suit, related his meeting in the early 1950's at Wright Field Air Force Base with Mr. Redman, of the U.S. Air Force, who told Mr. Pfankuch:

"... that the Air Force was losing a rather large number of pilots due to the fact that when an airplane would make a belly type landing or any kind of landing which would result in a crash, that they found that if the airplane did not crash in a straightforward position, that frequently they would suffer pilot fatalities; if the airplane would skew and go sideways, and strike something, . .

their investigations brought out that the reel did not reliably lock to restrain the pilot.

“Q. And what type of reel was this that was referred to? A. Well, this was strictly a vehicle-sensitive reel, one which operated on deceleration of the vehicle, the aircraft.” [R. Vol. III, pp. 271-272].

Therefore, a multidirectional safety apparatus was needed to respond to crashes which might occur in any direction.

Other deficiencies of the prior vehicle-sensitive safety apparatus were noted by Mr. Rischard, formerly Chief of the Interiors Design Section of Douglas Aircraft Company, first a user of the vehicle-sensitive devices supplied by American Seating Company, and later on a user of the plaintiff's man-sensitive devices. First, he testified that the vehicle-sensitive devices were unreliable [R. Vol. III, p. 249]. Second, he testified that there is no acceptable way for a pilot to check the vehicle-sensitive devices before takeoff, saying:

“I don't think there is any way to really test it. I remember some of the mechanics would kick the back of the seat in an attempt to cause an acceleration force and make it lock, but this is not at all a good way to try to do something of that sort.” [R. Vol. III, p. 249].

At about the same time that Mr. Pfankuch was made aware of the deficiencies of the prior art and the need for a multidirectional safety apparatus, American Seating Company, the sole manufacturer of the prior art vehicle-sensitive safety apparatus at that time [R. Vol. III, pp. 30, 203], was also made aware of the inadequacies of the existing vehicle-sensitive apparatus [R. Vol. III, p. 207]. Therefore, in an effort to protect its position as the leading supplier of such equipment,

American Seating Company set out on an extensive development program through the years, searching for a multidirectional safety apparatus and experimenting with pendulums and a permanent magnet to hold a locking member out of engagement [R. Vol. III, p. 205]. As a result, two types of devices developed, one an electrical type of device and the other a magnetic type of device [R. Vol. III, p. 206]. However, both of these devices were of the vehicle-sensitive type [R. Vol. III, p. 206]. The Nordmark patent '693 [Ex. D], one of the patents defendants primarily rely upon, shows the magnetic type of device developed by American Seating Company [R. Vol. III, p. 223]. This patent has an object to lock "by inertia under varidirectional *impact of the vehicle*" [Col. 1, line 43] and uses magnetic inserts and a pendulum [Col. 4, lines 80-85]. This patent was filed in February, 1951 before plaintiff's applications for the patents in suit were filed in 1953.

Highly qualified engineers, all of them holding a considerable number of patents themselves, worked on the American Seating Company development program [R. Vol. III, pp. 208-209] and yet neither the magnetic device nor the electrical device were accepted to any great extent by the industry. As to the electrical device, the only one made commercially, Mr. Henrikson, Manager of Research and Development for American Seating Company, stated:

"... The Armed Services showed a reluctance to wire the devices in, which was necessary. They ... had not been used to having the safety devices wired into the power plant of the aeroplane. So they had considerable reluctance to purchase these reels and wire them in." [R. Vol. III, p. 208].

After hearing of the inadequacies of the vehicle-sensitive safety apparatus, Mr. Redman was again contacted and as related by Mr. Pfankuch,

“ . . . I suggested to him that I had an idea for a new type of reel which might overcome this problem. . . . I merely told him that I was thinking of a type of device which would be sensitive to movement of the man, the seat occupant, a man-sensitive type of device rather than a vehicle-sensitive type. . . . After I returned to our plant, we immediately set about designing this reel and making a model, a prototype.” [R. Vol. III, pp. 272-273].

This prototype model was the embryo of the man-sensitive safety apparatus covered by the basic patent '233 [R. Vol. III, p. 279]. Both patents in suit were filed in 1953.

In 1954, after its unsuccessful attempts with multiple direction vehicle-sensitive safety apparatus, American Seating Company became aware of plaintiff's man-sensitive safety apparatus [R. Vol. III, p. 210]. Prompted by the acceptance of plaintiff's devices over its devices, American Seating Company started developing a man-sensitive safety apparatus of its own in order to be competitive with plaintiff's devices [R. Vol. III, pp. 210-211]. This development was successful and American Seating Company then voluntarily requested a license from plaintiff for the right to manufacture under the two patents in suit [R. Vol. III, p. 140]. American Seating Company requested a license because its patent counsel brought the patents to the attention of management and advised that their apparatus infringed the patents in suit. The license was granted [R. Vol. III, pp. 211-212, Ex. 17].

Mr. Henrikson testified that the man-sensitive safety apparatus made by plaintiff and American Seating Company represent "a step forward" over the earlier devices [R. Vol. III, p. 218].

Numerous important features of the man-sensitive safety apparatus make it desirable over commercial vehicle-sensitive safety apparatus. Mr. Henrikson testified that the following features are important in contributing to its sales: First, is its "multidirectional operation" [R. Vol. III, p. 219]; second, it is not necessary to wire the device into the power system of an airplane [R. Vol. III, p. 219]; third, "it is so easy for the pilot to tug on the strap before take off and to reassure himself that the mechanism is operative." [R. Vol. III p. 219].

As a fourth feature, Mr. Rischard stated that the main feature making the plaintiff's device acceptable for use in ejection seat applications is its "capability of sensing the motion of the man with respect to the seat and not worrying about what the aircraft is doing at the time." [R. Vol. III, pp. 253-254].

D. Users Were at First Skeptical of the Inventions, However, Once the Principle Was Accepted a New Industry Was Founded and the Inventions Largely Supplanted the Prior Art Devices.

Mr. Pfankuch showed a prototype model of the invention to the Air Force in 1950 or 1951 but the Air Force was at first skeptical of the principle involved [R. Vol. III, p. 276, 280] because the man-sensitive feature was a radical departure from the vehicle-sensitive devices that they had been using [R. Vol. III, p. 276]. It was thought that it would inadvertently lock or would not reliably lock up. Extensive tests were run at Edwards Air Force Base by plaintiff and the Air Force [R. Vol. III, p. 277] and persons at Wright

Field tried to trick the device in a seat [R. Vol. III, p. 277]. It was not until one to two years after the prototype model was shown that the Air Force finally accepted the principle of operation and issued a specification covering one of plaintiff's apparatus [R. Vol. III, p. 280, 281].

The plaintiff's sales of man-sensitive safety apparatus started in 1954 and went up on a steady growth curve in spite of the fact that in 1957 there was a severe cut back on manned aircraft, the principal users of the apparatus [R. Vol. III, p. 51].

In contrast to the steady upward growth of plaintiff's sales from 1954 to 1963, sales of vehicle-sensitive apparatus by American Seating Company declined rapidly over the very same period of time, going from yearly sales of about \$700,000 in 1956 down to under \$150,000 in 1963. Reproductions of Exhibit 24, a graph plotting plaintiff's increasing sales and Exhibit 62, a graph plotting American Seating Company's decreasing sales are included in Appendix A.

Mr. Henrikson testified that this decline in his company's sales is attributed to a substantial degree to plaintiff's man-sensitive safety apparatus which captured a substantial part of the market [R. Vol. III, p. 217].

Subsequent to the filing date of the applications for the patents in suit in 1953, and subsequent to the introduction into the market by plaintiff of its apparatus in 1954, numerous companies started working on designs of man-sensitive safety apparatus of their own. Plaintiff continued to develop improvements in this area. Plaintiff's first production reel was the HR30 [Ex. 7] and is shown in the '234 patent [R. Vol. III, p. 27, 702]. Exhibit 24 (See Appendix A) lists eight different models of man-sensitive safety apparatus plaintiff has sold and four of these devices, some of

which are ballistically operated, are Exhibits 6, 8, 9 and 10 [R. Vol. III, p. 26-28].

Numerous patents dealing with man-sensitive safety apparatus were filed by plaintiff and other companies and some companies introduced their own versions thereof into the market. For example, between 1956 and 1961 thirteen applications for U. S. patents (now issued) were filed. These patents are found in Exhibits 66 and 114 and were identified by Mr. Glauser as disclosing man-sensitive safety apparatus [R. Vol. III, p. 749]. Plaintiff itself has a total of nine issued U. S. patents and nine U. S. applications pending in the United States Patent Office directed to these devices [R. Vol. III, pp. 71, 72].

American Seating Company developed a man-sensitive safety apparatus of its own design [R. Vol. III, p. 212], introduced it into the market, and took out its license with plaintiff in November, 1959 [R. Vol. III, p. 211, Ex. 17]. Hardman Tool and Engineering took out its license in 1963 [Ex. 18].

These man-sensitive devices are not identical but have many variations of the basic man-sensitive features of the patented devices. Appendix F shows selected figures from six of the patents in Exhibit 114 to illustrate the many forms in which man-sensitive safety apparatus have been developed.

Plaintiff's man-sensitive safety apparatus are widely accepted and are being used on both military and commercial vehicles, including manned aircraft, space aircraft, fighters, commercial transports and helicopters [R. Vol. III, pp. 62-63].

All of this development on man-sensitive devices occurred after plaintiff entered the market with its patented devices in 1954. It is apparent that it was plaintiff's pioneering effort in conceiving, developing man-sensitive safety apparatus and introducing it into the

market that prompted further development on these devices and not the antiquated trolley catcher devices which defendants found.

In addition to the two U. S. licenses, plaintiff has acquired nine foreign patents filed under the International Convention corresponding to the two patents in suit [R. Vol. III, pp. 76-78, Exs. 33, 34, 35, 36, 37, 38, 39, 40, 41] and has granted licenses thereunder to companies in France [SARMA, Exs. 22, 23], Great Britain [Teleflex, Exs. 19, 20], and Japan [Shimadzu, Ex. 21]. Substantial royalties of approximately \$10,000 have been paid to plaintiff under the U. S. licenses and \$50,000 under the foreign licenses [R. Vol. III, p. 39, 45].

Mr. McAllister, President of plaintiff, estimates that about ninety percent (90%) of the total world market of safety apparatus for protecting a man in his seat is now filled by the man-sensitive type [R. Vol. III, p. 68].

E. The Infringement by Defendants.

On May 9, 1956 the defendants were shipped four of plaintiff's Model HR30 (the one disclosed in the improvement patent '234), and payment was received evidencing defendants' receipt of the devices [R. Vol. III, pp. 90-91]. About a year later Mr. Pfankuch demonstrated plaintiffs commercial Model 0101, to Mr. Lautier, Vice President of defendant, Aerotec Industries, Inc. [R. Vol. III, p. 285]. The external configuration of the commercial Model 0101 is essentially the same as the military Model 0106—Ex. 6 [R. Vol. III, pp. 288, 105]. Plaintiff's military Model 0106 was developed because plaintiff expected it to be the "next generation" model [R. Vol. III, pp. 134-135]. This demonstrating took place during a meeting with aircraft and seat manufacturers in about 1957 [R. Vol. III, p. 285-286].

In 1958, approximately two years after defendants received the plaintiff's Model HR30 and about one year after Mr. Pfankuch demonstrated plaintiff's Model 0101 to Mr. Lautier, defendants apparently cancelled an order for a large quantity of plaintiff's Model HR30 [R. Vol. III, p. 131] and then came out on the market with its own man-sensitive safety apparatus. [R. Vol. III, pp. 82-86, 91, 92]. These devices have external case configurations closely resembling that of plaintiff's next generation Model 0101 (the one shown to Mr. Lautier).

Appendix B contains photographs of plaintiff's Model HR30 [Ex. 7] first sold in 1954 and the next generation model 0106 [Ex. 6] first sold in 1955 (and which closely resembles the commercial Model 0101 shown to Mr. Lautier in 1957) and two of the defendants' devices [Exs. 95 and 13].

Defendants have manufactured man-sensitive safety apparatus and have identified them by four basic model numbers, to wit: Models 94, 95, 102 and 65A [R. Vol. III, pp. 1098-1110]. The Models 94 and 102 are single reel units as seen in Exhibits 82 and 95 and Models 95 and 65A are double reel units as seen in Exhibits 81 and 13 (See Appendix D). All of defendants' models have basically the same locking mechanism, function in the same manner and produce the same result [R. Vol. III, pp. 1098-1110, assembly drawings of Exs. 54, 55, 56 and 57, R. Vol. III, pp. 579-580]. Exhibits 84 and 85 are large colored charts illustrating the locking mechanisms of defendants' devices [R. Vol. III, p. 588]. Colored reproductions of Exhibits 81, 82, 84 and 85 are included in Appendix D exactly as they appear in the record.

Defendants were charged with infringement of Claims 7 and 9 of the basic patent '233 and claims 1 and 5 of the improvement patent '234.

Defendants' own patent No. 2,982,492 [Ex. 66] describes defendants' devices in suit in practically the very same terms as the four claims in suit. Defendants' patent is directed to detailed features of their device and issued on May 2, 1961 over one and one-half years before this action was filed.

Representations were also made to the trade in sales and technical literature, issued by defendants, as to how defendants' devices function and operate [Exs. 48-53, Ex. 124—Answers to Interrogatories Nos. 25, 26, R. Vol. III, p. 513-516]. The description contained therein is very similar to that employed in the four claims in suit. This literature was published long before this litigation commenced.

Thus, before this litigation defendants admitted by their own representations to the patent office and to the public that their infringing devices have the same elements and function in the same manner as the inventions in suit.

Plaintiff's expert found each of the elements of the four claims in suit to be contained in defendants' devices [R. Vol. III, p. 691-698, 707-714]. The District Court found claims 7 and 9 of patent '233 and claims 1 and 5 of patent '234 valid and infringed by defendants' Models 65A, 94, 95 and 102 safety reels [See No. 72, Findings of Fact, R. Vol. II, p. 928].

Summary of Argument.

Plaintiff's invention is apparatus which is responsive to movement of a seat occupant with respect to his seat to permit ordinary movement but to lock him in the seat when the movement exceeds a predetermined acceleration. The phrase "man-sensitive safety apparatus" aptly describes plaintiff's invention and distinguishes it over the prior art vehicle-sensitive apparatus. The invention is not merely a cable locking mechanism, as asserted by defendants.

Plaintiff was the pioneer in the development of man-sensitive safety apparatus and plaintiff's patents are basic and entitled to wide scope.

Plaintiff's patents meet the Constitutional standard for patentability. They serve to advance the arts and sciences, and the inventions save lives. The patented inventions produce results which were unexpected at the time they were first developed. The patented inventions are not merely an old combination or a new use for an old device, as asserted by defendants.

Defendants' patent covers the detailed arrangement of its man-sensitive safety apparatus, and the apparatus is described in defendants' patent in the same manner that plaintiff's patent claims delineate the patented invention.

Defendants did not consider the trolley catcher patents to be prior art with respect to the device covered by their patent, even though they discovered these patents many months before their patent issued because they had a duty to call the trolley catcher patents to the attention of the patent office and they did not do so.

Defendants' devices employ the same elements which function in the same manner to produce substantially the same result as the apparatus defined by plaintiff's patent claims.

Plaintiff produced as witnesses virtually everyone that had anything to do with its inventions. Nearly all of these witnesses are persons skilled in the art in question. Defendants' witnesses attempted to controvert most of the testimony of plaintiff's witnesses. However, defendants' witnesses had no prior experience in

the art, and had not even tested plaintiff's or defendants' devices, much less the prior art devices or the nonanalogous art devices upon which they based much of their testimony.

The trial court considered all the evidence presented and made detailed findings of fact as to all the material issues in this case. Defendants now seek to try *de novo* nearly all of these findings.

Under such circumstances the findings of fact by the Trial Court are entitled to very great weight.

One of defendants' experts was a patent lawyer who testified as to many matters of law. These are matters for the court to resolve, and a witness's statements as to such matters is of little or no significance.

The only other of defendants' witnesses was a graduate student whose testimony was directly contra to what defendants had long represented the mode of operation of their device to be. It was shown that his testimony was based on incorrect assumptions, incorrect constants, and approximations that should not have been made. The testimony of such a witness should be attributed little if any significance.

ARGUMENT.

I.

The Trial Court's Findings Are Entitled to Especially Great Weight Under the Circumstances Here.

On July 12, 1965 the Trial Court filed an Opinion which set forth many of the facts. On July 30, 1965 the Trial Court signed the Findings of Fact and Conclusions of Law which were prepared by counsel for plaintiff. On August 23, 1965 the Trial Court heard defendants' objections and suggested modifications to the findings, and the court refused to modify them.

Defendants now assert that 48 out of the 73 findings of fact are erroneous. In effect defendants are asserting that all of the findings are erroneous except those relating to formalities, such as the parties and the jurisdiction of the court.

Such a specification of errors is an attempt to retry the entire case before this Court, and it leads to such frivolous contentions as:

"12. The District Court erred in finding that Defendants urged and their witnesses testified that their safety apparatus has a different mode of operation in that their apparatus responds solely to velocity and not to acceleration of the seat occupant, as required by the patented apparatus (Finding of fact No. 27)."

However, defendants' own trial memorandum specifically states:

"Moreover, defendants' device has an entirely different mode of operation than plaintiff's patented safety devices. Defendants' device is responsive solely to velocity or centrifugal force when the device locks the cable from further outward movement." [R. Vol. II, p. 438-439].

This inconsistency and many others arose because defendants would not produce one witness from their home plant in Connecticut who is familiar with their devices and their activities despite plaintiff's request that Mr. Lautier, a Vice President who is familiar with their devices and an inventor of one version of defendants' devices appear and testify at trial [Motion for Appearance at Trial, R. Vol. I, p. 458]. Instead, defendants produced as witnesses a graduate student, Mr. Swedlow, and a patent lawyer, Mr. Gabriel, both of whom were employed by defendants' counsel shortly before the trial to serve as experts.

Mr. Swedlow testified:

“Q. Did defendants call your attention to any tests they had conducted prior to this litigation?

A. Defendants' tests?

Q. Yes. A. I don't recall any offhand, no.

Q. Prior to this litigation did you see any tests on the Aerotec device at all? A. No.

Q. Have you seen any tests of the Aerotec device even during the litigation? A. Just the tests that had been either exemplified, or in court, the movie itself, but I have seen no tests.

Q. Just the tests plaintiffs put on as part of their case, those are the only tests you have seen?

A. Yes.

Q. You never conducted any tests on the device yourself? A. No, I have not.

Q. Mr. Swedlow, have you seen any other analysis of the Aerotec device besides the one you just presented here, Exhibit AR? A. Well, there is Mr. Luttrell's analysis, and the analysis, or the computations that Mr. Glauser and Mr. Ay did together, I presume.

Q. In other words, the defense did not tell you or show you any analysis which they had performed on the device? A. No, sir.

Q. Did you perform any analysis of the device yourself prior to this AR? A. I had thought about the kind of motions that might ensue, but I can't say that I performed an analysis." [R. Vol. III, pp. 1366-1367].

On cross-examination Mr. Gabriel testified:

"Q. You say you were called in this case the first of October. Who called you into this case? A. I didn't say that. I was asked by Mr. Poms if I would testify as an expert witness in the case and attend court as an expert witness. That was, I believe, early in September.

Q. The first part of September? A. Early in September. I don't remember the exact date.

Q. Did the defendants show you any analysis which they had performed prior to that time? A. No, they did not.

Q. Have you ever seen any tests which the defendants or defendants' counsel have made on the Aerotec device, prior to your being called in the case the first part of September? A. No, I have not. The only tests I have seen have been performed right here in court.

Q. The same applies for analysis? A. Yes. The only analysis that I had seen prior to attending court was the Luttrell report, aside from my own working with force diagrams. I saw no detailed analysis other than the Luttrell report before court actually convened on the case." [R. Vol. 14, pp. 1541-1542].

The trial started on October 6, 1964, about one month after Mr. Gabriel was employed.

These two witnesses on behalf of defendants gave much testimony, but it was all of a theoretical nature. Obviously the witnesses had no practical knowledge of the subject matter.

In contrast, plaintiff produced as witnesses its president, Mr. McAllister; its director of engineering, Mr. Glauser; two of the three inventors of plaintiff's patents, Messrs. Pfankuch and Wrighton (the third inventor died before this action was instituted); two of its technical people, Messrs. Ay and Luttrell; the Manager of Research and Development for the competitor, American Seating Company, Mr. Henrikson; the former Chief of the Interiors Design Section for Douglas Aircraft Company, Mr. Rischard; a racing car driver who uses the safety apparatus, Mr. Unser; and an independent consultant with many years of experience, Dr. Sjogren.

With respect to the use of patent lawyers as experts, the book entitled "Patent Law Annual," published in 1966 by Matthew Bender & Company, states on page 128:

"Judge Yankwich of the federal district court sitting in Los Angeles, in his paper entitled 'On the Use of Experts,' said: 'Equally unconvincing is the *patent attorney expert*. He may be trained in the law or he may be scientifically trained. And if he is *not actually engaged* in scientific work, his testimony is, usually, that of a special pleader, trying to prove a cause.' He observed at another point that such special pleaders appear '*presumably* to explain the invention to the court, but '*actually* to substitute the knowledge of the expert for the knowledge of the court derived either from ordinary experience or from a study of the letters patent themselves. This is merely an attempt to get around the decisions which make the Judge his own expert in such cases.' (Emphasis by Judge Yankwich.)"

Plaintiff's witnesses had intimate knowledge of the inventions in suit and the art involved. Defendants'

witnesses had no first hand knowledge of any of the facts. They apparently had not even visited defendants' facilities where the devices were manufactured.

Under such circumstances, it is submitted that the Trial Court's findings are entitled to especially great weight.

The findings which alleged to be in error by defendants are set forth in Appendix H hereto, along with the record references to the evidence supporting the challenged finding, as required by Rule 18-3.

II.

Infringement Is Clearly Established in the Record.

A. The Claims of Plaintiff's Patents Read Directly Upon Defendants' Devices and Thus Are Directly Infringed.

Each claim of plaintiff's patents defines the metes and bounds of the subject-matter covered by the claim. Each claim stands on its own. Infringement of a single claim constitutes infringement of the patent in which the claim appears.

The claims which defendants infringe directly are claims 7 and 9 of the basic patent '233 and claims 1 and 5 of the improvement patent '234. These claims are of broad scope in keeping with the pioneer character and nature of plaintiff's invention and *define in various terms a safety apparatus for preventing a seat occupant of a vehicle from being thrown from his seat, an inertia lock device adapted to be mounted on the back of the seat of a vehicle including a reel, a flexible connector adapted to be coupled to the seat occupant and wound on the reel, an inertia member turnably movable with respect to the reel, means for coupling the inertia member with the reel, and locking means (or means for stopping the rotation of the reel), with the inertia member being operable by inertia to cause the locking means to lock the flexible connector when the*

flexible connector is pulled outwardly of the housing *by an abnormal movement of the seat occupant* whereby the seat occupant is prevented from being dislodged from his seat [Exs. 1, 2, No. 24, Findings of Fact].

Patent '234 is an improvement over the basic patent '233 and claims 1 and 5 of the improvement patent '234 differ from the claims of the basic patent '233 by defining, in various terms, the locking means (or means for stopping rotation of the reel) being operable in response to the *relative rotation between the reel and the inertia member* for stopping rotation of the reel to thereby restrain the movement of the body in the vehicle. Thus, the improvement patent '234 is directed to the feature of sensing relative rotation between the reel and the inertia member for causing lock up [Ex. 2, No. 25, Findings of Fact].

The defendants' devices employ the very same structure and perform the very same functions as set forth above and as defined in claims 7 and 9 of the basic patent '233 and claims 1 and 5 of the improvement patent '234.

Significant is the fact that the *defendants' own patent* [Ex. 66] *describes the defendants' device in practically the very same terms* and Mr. Lautier, defendants' Vice President stated in answers to interrogatories that this patent describes "the operation and function peculiar" to the defendants' devices [R. Vol. III, p. 1102, Ex. 127—Answer to Interrogatory No. 41].

Under the portion of the defendants' patent [Ex. 66] entitled "Operation", it is stated in essence, with reference to Figure 3 of the patent, that defendants' safety reels allow normal occupant movement until *abnormal acceleration* is caused by a crash; at which time the *acceleration of the occupant imparts an acceleration* to the reel. This *acceleration* of the reel is relative to the locking pawls of defendants' device which have *inertia*

and which *resist rotation* of the reel to such a degree that these pawls engage a toothed locking ring which positively locks further rotation of the reel.

Appendix J hereto contains quotations from defendants patent, Ex. 66, which describe their device in the foregoing terms. These quotations appear at Col. 3, line 75 through Col. 4, line 2 and Col. 4, line 10 through line 49 under the heading "Operation" as set forth in Appendix J.

Defendants also made representations in sales and technical materials issued by defendants, such as product specifications, installation specifications, and published and copyrighted technical journals that their devices are responsive to acceleration of the seat occupant and therefore have this same mode of operation [Exs. 48-53, Ex. 124—Answers to Interrogatories Nos. 25 and 26]. For example, the March, 1959 issue of the "Project Engineer" (copyrighted in 1959) [Ex. 51] states at pages 7-8:

"The reel functions automatically in any attitude so that if the wearer's body is thrown forward or upward with a sufficient accelerative "G" force, such as might be experienced during gusty conditions, the reel will lock, then unlock when the tension or load is released from the harness webbing. However, the belt rewind tension has a constant non-restrictive loading of approximately one pound so that the harness may be comfortably worn continuously while occupying crew position with unrestricted freedom of body movement. The reel will not lock automatically under crew members' normal body movements while performing flight activities."

Thus, before this litigation commenced, defendants admitted by their own representations before the Patent Office and the public through their patent, as well as in published and copyrighted articles, that their devices

are constructed and operate in accordance with the inventions in suit.

The safety apparatus of the basic patent '233 is shown in Exhibits 70, 71, 72, 73 and 74 which are enlarged colored drawings of Figures 1, 1A, 2, 3 and 5 of the basic patent '233 [R. Vol. III, pp. 529, 530, 532, 534]. The safety apparatus of the improvement patent '234 is shown in Exhibits 75, 76, 77, 78, 79 and 80 which are enlarged colored reproductions of Figures 1, 3, 4, 6 and 7 of the improvement patent '234 [R. Vol. III, p. 553]. Defendants' infringing safety apparatus are depicted in large drawings of Exhibits 81, 82, 83, 84, 85 and 86 [R. Vol. III, pp. 581-585, 588]. Colored reproductions of Exhibits 70, 72, 75, 76, 81, 82, 84 and 85 as they actually appear in the record are reproduced in Appendices C and D for convenience.

The aforementioned exhibits are color coded so that the various common elements of the devices can be easily identified. For example, the supporting housing for mounting on a seat is colored yellow, the reels are colored green, the flexible connectors adapted to be coupled to the seat occupant are colored blue, the rotatably mounted inertia members are colored red, the resilient means for rotating the reel to wind the flexible connector thereon are colored purple, the means for coupling the inertia member with the reel are colored brown and the locking means are colored orange [See Mr. Glauser's testimony, R. Vol. III, pp. 534-599].

Exhibits 102 and 109 are large charts showing claims 7 and 9 of the basic patent '233. Exhibits 110 and 111 are large charts showing claims 1 and 5 of the improvement patent '234. Red capital letters are positioned to the left of each element in Exhibits 102 and 109 and blue lower case letters are positioned to the left of each element in Exhibits 110 and 111.

Mr. Glauser then testified in detail where each of the elements of the claims in suit are found in the defendants' devices shown in Exhibits 84 and 85.

First, with respect to the basic patent '233, claim 7 [Ex. 102] is representative of the two claims involved. Mr. Glauser pointed out where each element of this claim is found in defendants' devices. This was done using the large claim chart of Exhibit 102 and the large drawings of Exhibits 84 and 85 (defendants' devices) and placing the red capital letters for each element in Exhibit 102 on Exhibits 84 and 85 adjacent the number for the corresponding structure [R. Vol. III, pp. 691-697]. *Second*, Mr. Glauser then testified with respect to Exhibit 109, claim 9 of the basic patent '233 stating he reviewed the claim in a similar manner and found each element in Exhibits 84 and 85 [R. Vol. III, p. 698]. The significant difference between claims 7 and 9 is that claim 9 calls for "resilient reel means" instead of the separate elements of a "reel" and "resilient means coupled to the reel" as recited in claim 7 [R. Vol. III, pp. 699-700].

Third, with respect to the improvement patent '234, claim 1 [Ex. 110] is representative of the two claims in suit and Mr. Glauser pointed out where each element is found in defendants' devices. This was done, similar for the '233 patent claims, using the large claim chart of Exhibit 110 and the large drawings of Exhibits 84 and 85 and by placing the blue lower case letters for each element adjacent the number for the corresponding structure on Exhibits 84 and 85 [R. Vol. III, pp. 707-713]. *Fourth*, Mr. Glauser testified with respect to Exhibit 111, claim 5 of the improvement patent '234, stating he reviewed the claim and found each element in defendants' devices depicted in Exhibits 84 and 85 in a similar manner to claim 1 [R. Vol. III, pp. 713-714]. Appendix G, pages 1, 2, 3 and 4 are claim charts summarizing where each element of claims 1, 5

of patent '233 and 7 and 9 of patent '234 are found in Exhibits 84 and 85 in accordance with Mr. Glauser's testimony.

The charts of Appendix G, pages 1, 2, 3 and 4 were presented to the Trial Court in Plaintiff's Memorandum After Trial [R. Vol. II, p. 592].

Thus, defendants' devices employ the very same structure and the very same functions as set forth in the claims in suit of both the basic patent '233 and the improvement patent '234.

In determining whether an accused device infringes a patent, resort is had in the first instance to the words of individual claims of the patent. If the accused device falls clearly within the claim, infringement is established. *Stearns v. Tinker & Razor*, 252 F. 2d 589, 596 (9th Cir., 1957).

Based on this evidence, the District Court found that defendants employ the essential features of plaintiff's inventions and claims 7 and 9 of plaintiff's patent '233 and claims 1 and 5 of plaintiff's patent '234 are infringed by defendants' Models 65A, 94, 95 and 102 safety reels.

Despite the detailed testimony of Mr. Glauser, and the description set forth in defendants' own patent, defendants state in their opening brief that:

"Plaintiff has no evidence or testimony to support the Trial Court's finding of infringement."
(p. 49).

The shotgun approach of defendants' arguments relative to infringement and the weakness of defendants' many defenses is brought into focus by such statements when to the contrary the record contains the detailed testimony of Mr. Glauser as to infringement.

Defendants assert that the expert testimony of Mr. Glauser should be given little weight because Mr.

Glauser is not a patent lawyer. This fails to take into consideration the fact that Mr. Glauser is an engineer with many years of experience in the manufacture, use and sale of the very safety apparatus in suit. The law is clear that patents and their claims are directed to those skilled in the particular art and that they are qualified to read and interpret patents and claims. *S. D. Warren Co. v. Nashua Gummed & Coated Paper Co.*, 205 F. 2d 602, 606 (1st Cir. 1953).

Defendants basically agree in effect with the plaintiff that the claims in suit read on the defendants' devices except as to the inertia element. In this regard defendants assert in their brief at page 48 that their expert, Mr. Gabriel found no infringement because there is no "separate inertia member" in defendants' devices. The term "separate inertia member" is a phrase used by defendants, whereas the claims merely call for an "inertia member". Defendants rely on the testimony of Mr. Gabriel at page 1518 of the transcript as to Exhibits U to X in support of their assertion and say there is no evidence to refute these exhibits and testimony.

Contrary to defendants' assertion on the very page of the transcript on which defendants rely, page 1518, Mr. Gabriel focuses on the fact that his testimony and Exhibits U to X are based on his erroneous theory as to file wrapper estoppel, wherein he asserts an inertia member separate from the locking means is required and on Mr. Swedlow's erroneous analysis which he used to assert there is no effective inertia member at all in defendants' devices [See also R. Vol. III, p. 1510, 1515].

Defendants' contentions in this regard are without merit because Mr. Glauser testified that the pawl in defendants' device is actually the inertia member [R. Vol. III, p. 688], because Mr. Ay and Dr. Sjogren, completely refute Mr. Swedlow's erroneous contentions and

his erroneous analysis and because Mr. Gabriel's theory as to file wrapper estoppel is contrary to the law on this subject.

Defendants' other arguments as to non-infringement require a resort to reading of elements in one claim into another and a resort to the non-analogous trolley catcher art. These matters are disposed of in the following sections.

**B. Mere Change in Structural Details by Defendants
Does Not Avoid Infringement.**

Defendants have asserted that their devices employ a different construction and mode of operation than that of the patented devices. In this regard, defendants try, to rely on features of plaintiff's devices such as the static balancing created by coaxial mounting of the inertia member on the reel, the manual lock and unlock features, the stay lock feature, specific linkage elements for the stay lock feature, and the translation of the drum and inertia member, the latter appearing in the '233 device only. These other features are available in plaintiff's basic patent '233 and in the improvement patent '234 in various combinations.

However, these features are not relevant to the claims in suit. Mr. Glauser recognized this fact and testified that these features are not defined in claims 7 and 9 of patent '233 nor in claims 1 and 5 of patent '234 [R. Vol. III, pp. 946, 948]. In fact, *these features are covered in other claims of the two patents in suit* as follows: the static balancing or coaxial mounting — claim 1 (not 7 and 9) of patent '233 and claim 7 (not 1 or 5) of patent '234; the manual lock and unlock and stay lock feature — claims 6 and 12 of patent '233; the specific linkage elements — claim 2 of patent '234; and the translation feature — claims 4, 10, 11 and 13 of patent '233.

Defendants are not charged with infringement of these other features, but rather the basic features defined in the four claims in suit. Significant in this regard is Mr. Glauser's statement at page 724 of the transcript as to the brown linkage elements shown in Exhibits 76, 77 and 78, he stated:

"They are essential in the way it is laid out here for the detailed spec. it was built to. If you didn't have to keep the dog engaged, didn't want the manual control and this kind of thing, then we certainly could eliminate a lot of linkage and have it lock directly. We have done that on later models."

Reading of elements of claims which are not in suit into other claims which are in suit is uniformly rejected in the Ninth Circuit as improper. For example, in the case of *Stearns v. Tinker & Rasor*, 252 F. 2d 589, 596 (9th Cir., 1957), the court stated:

"Here claim 1 did not call for wheels or rollers while other claims did. Other claims should not be read into claim 1. [cases cited.]"

Defendants represented to the patent office that their device has the same features and mode of operation as defined in the claims in suit [see Ex. 6 and Appendix J] and tests confirm this [high speed movie, Ex. 116; R. Vol. III, p. 1707-1708]. It is clear that defendants' devices perform substantially the same function in substantially the same way and by substantially the same means as plaintiff's patented devices. This constitutes infringement.

A patentee is required to show a preferred embodiment of the invention, not every possible embodiment or modification that is to be covered by the patent. The broad aspects of the Doctrine of Equivalents are discussed in *Graver Tank & Manufacturing Company*,

Inc. v. Linde Air Products Company (1950), 339 U.S. 605, 607, 608 wherein Justice Jackson stated:

“The courts have also recognized that to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing. . . .

“The theory on which it is founded is that, if two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same (it constitutes infringement) even though they differ in name, form or shape.”

Defendants assert that out of twenty-seven claims, “plaintiff could only stretch four claims” to even arguably allege infringement. Directly to the contrary Mr. Glauser testified word for word where each element of the four claims in suit are contained in defendants’ devices. The Patent Laws only require plaintiff to put one claim in each patent. 35 U.S.C. 112. The fact that applicant added claims over the basic claims in suit directed to these other features which defendants fail to include in their devices is no excuse for defendants’ direct infringement of the claims in suit. *Stearns v. Tinker & Rasor*, 252 F. 2d 589, 596 (9th Cir., 1957):

“. . . one may not avoid infringement by making a device which differs in form, or is more or less efficient than the patented device, where he appropriates the principles and mode of operation of the patented device and obtains its results by the same or equivalent mechanical means.”

Johns-Manville Corp. v. National Tank Seal Co.,
49 F. 2d 142, 146 (9th Cir., 1931), *cert. den.*,
284 U.S. 654, 76 L. Ed. 555 (1931).

Defendants assert that Mr. Glauser “was forced to resort to reversing parts on defendants’ device in or-

der to find a *prima facie* case on infringement." Directly to the contrary Mr. Glauser read the claims directly on defendants' devices, as discussed above.

Defendants, in effect, argue they do not infringe because they have reversed parts in their devices from the embodiment disclosed in the patents in suit. For example, the locking pawl is on the casing in the '233 and '234 devices, but on the reel in the defendants' devices, the locking ring is on the inertia member in the '234 device but on the casing around the periphery of the reel and inertia member (or pawl) in the defendants' devices. There is merely a reversal of parts in the defendants' devices from the example of the patented devices shown in the patents in suit [R. Vol. III, p. 722]. Reversal of parts does not avoid infringement. *Oxnard Cannery v. Bradley*, 194 F. 2d 655, 658 (9th Cir., 1952).

Mr. Glauser stated with reference to engineering practices:

"In making our layouts or in the design of a device this is common practice, to . . . shift parts back and forth; to try the reverse of what you are doing to see if you can't get a simpler arrangement of parts." [R. Vol. III, p. 723].

Significant in this regard is the fact that Messrs. Wrighton and Cushman (the inventors of the improvement patent '234) had structure very similar to defendants' structure in mind before the '234 patent was filed. Mr. Cushman built an early, incomplete experimental model of a device incorporating the inertia locking principle of the '234 patent while he and Wrighton were jointly developing the '234 device. This model, Exhibit 64, has an *inertia member (or pawl) located on the reel* as does defendants' devices and has a *locking ring around the periphery of the reel and the inertia member (or pawl)* as does defendants' devices [R. Vol. III, pp. 734, 739]. Thus, the inventors of the '234 de-

vice did just what Mr. Glauser said, they reversed parts in going to the final design of the '234 device.

The significance of the Cushman model and its close similarity to the defendants' devices is brought into clear focus by the defendants' attempt to detract from this by arguing that the model makes Mr. Cushman the sole inventor. This argument is without merit as will be discussed hereafter.

Defendants' counsel asked Mr. Glauser to tell the Court from the witness stand how he would go about reversing parts in Exhibit 79 to come up with the defendants' device. Obviously, as Mr. Glauser stated, it would require designing another reel. This was done by many in this field [See Ex. 114, 14 man-sensitive patents and Appx. E]. Because Mr. Glauser did not stand right up in Court and show defendants' counsel how he would go about designing defendants' reel, defendants suddenly grasp this as some kind of admission regarding infringement (App. Op. Br. p. 49). There is no merit to this argument, particularly when the early experimental model of Cushman, Exhibit 64, shows how the reversal can be done.

Moreover, the patent drawings and specifications of the plaintiff's patents clearly show that the patentee contemplated alternatives to the structure shown in the patents in suit. For example, plaintiff's basic patent '233, column 7, lines 23 through 32, states:

"... many changes could be made in the above construction of the safety device and many apparently widely different embodiments of this invention could be made without departing from the scope thereof ..."

Similar alternative arrangements were contemplated by the patentee in plaintiff's improvement patent '234. For example, see column 6, lines 7 through 13 and lines 43 through 54.

Plaintiff is a pioneer taking an entirely new course with its man-sensitive apparatus from the previously known vehicle-sensitive devices. The recent case of *The Plastic Contact Lens Co. v. Butterfield*, 151 U.S.P.Q. 83 (9th Cir., 1966) (Federal Reporter citation not yet available) gave particular significance to “pioneer” inventions stating:

“The characterization bears significance, for our court wrote, long ago,

‘If pioneers, they [a patent’s owners] would be entitled to a broad and liberal construction, if, mere improvers, the claim would only be entitled to a narrower interpretation.’ [case cited]”

C. Defendants’ Devices Function in the Same Manner as the Patented Inventions.

The claims in suit, in various ways, define an inertia member operable by inertia or acceleration exceeding a *predetermined acceleration*, due to forces tending to dislodge a seat occupant to cause the locking means to lock the flexible connector and retain the seat occupant in his seat.

Mr. Glauser testified as to this same mode of operation when he defined predetermined acceleration for the ’233 and ’234 patent devices and for the defendants’ devices as follows:

“Predetermined acceleration to me means the device must provide freedom of movement for the man in the cockpit . . . he must have freedom to reach for controls as fast as he can move; therefore you do not want this kind of device inadvertently locking at the time that he is reaching for some control or function of the airplane; so the predetermined acceleration would be how fast he can move, and below that level you do not want to lock him in the seat inadvertently. On the other hand, above that level you would like to have him

locked, because that means that something is propelling him or accelerating him or trying to dislodge him from the seat beyond his own means . . . to restrain himself." [R. Vol. III, pp. 741-742].

Mr. Glauser more specifically defined the predetermined acceleration of defendants' devices to be as defined by the black curve on Ex. 87 [R. Vol. III, p. 743].

Defendants came to trial and for the first time insisted their devices have a different mode of operation because they are solely responsive to velocity or centrifugal forces to lock up and not to acceleration as are the patented devices. The importance of the acceleration-responsive mode of operation was emphasized by Mr. Glauser who testified that a device responsive solely to velocity or centrifugal force would not be saleable because that would mean a man must be moving relative to his seat for lock up to occur "and that is exactly what you don't want going on" [R. Vol. III, pp. 744-745].

That defendants' devices are acceleration-responsive is without doubt in view of the evidence presented at trial. Five of plaintiff's witnesses testified as to the mode of operation of the defendants' devices and each agreed as to the *acceleration-responsiveness* thereof. These witnesses are: *First*, Mr. McAllister, President of plaintiff, and an M.I.T. graduate with a Bachelor of Science degree [R. Vol. III, p. 165]; *second*, Mr. Luttrell, Design Engineer for the plaintiff, who made a preliminary analysis of the operation of the defendants' devices [R. Vol. III, pp. 485-486]; *third*, Mr. Glauser, Director of Engineering for the plaintiff, with many years of experience in this field and licensed as a professional engineer in the State of California, made a detailed analysis of defendants' devices [Ex. 90] and testified that during a typical crash, the defendants' devices would have locked up 79½% due to acceleration

[R. Vol. III, p. 635]; *fourth*, Mr. Ay, a Designer for plaintiff, [R. Vol. III, p. 1004]; *fifth*, Dr. Norman Sjogren, a registered professional engineer in the State of California, having a Ph.D. from Massachusetts Institute of Technology, witnessed tests of the defendants' devices, reviewed the Glauser analysis, and testified that acceleration is "absolutely" a major force in causing the defendants' devices to be locked up [R. Vol. III, pp. 1707-1708; high speed movie; Ex. 116].

In contrast to plaintiff's evidence, not one witness who is intimately familiar with the detailed structure and operation of the defendants' devices in suit, was brought to testify on their behalf. Instead, defendants placed two witnesses on the stand, whom defendants' attorneys had recently hired. One of defendants' witnesses, Mr. Gabriel of Los Angeles, defendants' patent expert had not made any analysis other than what he called his own force diagrams (which were not shown to the court) nor had he seen any analysis of the defendants' devices other than the analysis and tests presented at trial [R. Vol. III, p. 1542]. The other witness, Mr. Swedlow of Pasadena, is an engineering student with virtually no practical experience and is not a registered professional engineer in California.

Mr. Swedlow based his testimony as to a different mode of operation on a theoretical analysis he prepared and on an "impact phenomena" he said exists. However, the analysis was put together in such a hurried manner that it is based on *incorrect constants* [R. Vol. III, p. 1564] *some of which were critical and Mr. Swedlow only approximated* [R. Vol. III, pp. 1458, 1566, 1572]; *incorrect assumptions in deriving equations* [R. Vol. III, pp. 1578, 1604 and 1704]; and *misconceptions about how the defendants' devices actually operate* [R. Vol. III, p. 1704]. The result of the analysis is wrong [R. Vol. III, p. 1704].

As to the alleged “impact phenomena” Mr. Swedlow could not give the conditions under which he in his own mind felt the “impact phenomena” occurred. He indicated it depends on the materials and geometry involved [R. Vol. III, pp. 1470-1471] but admitted he had not studied the materials of defendants’ devices to see whether or not impact occurs [R. Vol. III, p. 1471].

Dr. Sjogren completely refuted Mr. Swedlow’s impact theory and testified that “there is no chance for impact.” [R. Vol. III, p. 1704].

In summary, the assertions of Messrs. Swedlow and Gabriel about the mode of operation of the defendants’ devices are absolutely incorrect, and the mode of operation of defendants’ devices and plaintiff’s patented devices are the same, and not different [R. Vol. III, pp. 1615, 1616].

Furthermore, in defendants’ patent [Ex. 66], which admittedly describes defendants’ devices, and in correspondence with the Patent Office as shown in the file history of defendants’ patent [Ex. 100], defendants asserted exactly what principles of operation and structure constitutes the essential features of their devices. These principles, structures, and operation are the very same as those taught by plaintiff’s patents [See Appendix J, for a discussion relative to the statements in the file history of defendants’ patent, see R. Vol. III, pp. 657-659].

It is a well-settled rule of law that statements made in the defendants’ patent and in its file history are admissible and are striking evidence that defendants’ devices infringe plaintiff’s patents. *Stedman Manufacturing Co. v. Redman*, 257 F. 2d 867 (4th Cir., 1958) *cert. denied*, 1958, 358 U.S. 928.

Similar statements regarding the acceleration mode of operation are found in the product specifications for the defendants’ devices, specification papers for installing the defendants’ devices on seats, and published and

copyrighted technical journals of the defendants [Exs. 48-53, R. Vol. III, pp. 640-645]. These statements were made and published to customers, purchasing agents, buyers, etc., at a time when defendants did not know that the statements would effect their interests [Exs. 48-53, See Ex. 51 in particular; Ex. 124—Answers to Interrogatories Nos. 25 and 26].

As noted in the case of *Cox v. Esso Shipping Company*, 247 F. 2d 629, 632 (5th Cir., 1957):

“It is that simple. . . . All that is needed is an authoritative statement by the adversary inconsistent with the contemporary litigation position.”

Defendants have not produced any credible proof of its present assertions and these present assertions, which are based on completely non-existent and erroneous facts, should be disregarded.

The District Court found that defendants' Models 65A, 94, 95 and 102 safety apparatus are acceleration responsive and accomplish substantially the same result in substantially the same way as the devices of the patents in suit [See Nos. 33 and 34, Findings of Fact].

Although more time was devoted to the operation of the defendants' devices than any other single subject [Opin. R. Vol. III, p. 900], defendants do not even mention this contention in their Opening Brief, except to state it was error for the District Court to find that defendants' devices are acceleration responsive within the meaning of the patent in suit (Nos. 12, 13, Appellants' Concise Statement of Points on Appeal Under Rule 17(b) which were incorporated by reference on page 11 of Defendants' Opening Brief). Instead, defendants are now largely resigned to arguments that their devices have a different mode of operation because in their devices there is no translation of the reel drum assembly, there is no balanced construction and there is no manual unlocking feature or stay lock feature.

These features are the subjects of various claims of the two patents, but they are not required by the claims in suit and cannot be read into the claims in suit.

D. Estoppel Has No Application to the Facts in This Case.

Plaintiff asserts that the history of development of the patented devices reveals that an inertia member which is *separate from the reel is required*.

Defendants assert that the history estops plaintiff from claiming a device that does not have an *inertia member separate from the locking means*.

The evidence in support of plaintiff's assertion is the early history of development of the '233 device as brought out by plaintiff on direct examination. Mr. Pfankuch, one of the co-inventors of the basic '233 patent, prepared a disclosure [Ex. 63] and built a model in accordance with this disclosure [R. Vol. III, pp. 273-274]. This device did not have an inertia member separate from the drum or reel but utilized the inertia of the drum or reel itself to cause locking [R. Vol. III, p. 274]. Mr. Pfankuch stated with reference to this device:

"It was due to the proportion of the parts, and so forth; this device was not reliable and it wouldn't reliably lock at some predetermined point." [R. Vol. III, p. 275].

In order to overcome this problem, Messrs. Pfankuch and Wrighton added an inertia member which is separate from the drum or reel [R. Vol. III, p. 275]. With this inertia member, the device operated satisfactorily and met commercial requirements of the plaintiff [R. Vol. III, p. 276]. The inertia member which is separate from the reel is disclosed and claimed in the basic patent '233.

The improvement patent '234 also discloses an inertia member separate from the reel and it is an important

part of this device. It is imperative that there be an *inertia member* separate from the reel in order to get the *relative rotation between such inertia member and reel* to cause locking as defined in claims 1 and 5 of the patent '234.

The patented devices have an inertia member separate from the reel and this is just what defendants' devices have, both in structure and in function. For example, defendants' devices have an inertia member or pawl 38 (or 40) (red) and it is separate from the reel 2 (green) and it is coupled to the reel by means of the spring 46 (brown) all as shown in plaintiff's Exhibit 85 [See App'x. D]. Defendants' pawls *have inertia and there is relative pivoting or rotation between the inertia pawls and the reel*. The pivoting and rotating action of defendants' pawls is described in its patent [Ex. 66, Col. 4, lines 18-24, See App'x. J].

The evidence in support of defendants' assertion that the inertia member must be separate from the locking means is non-existent except as to what Mr. Gabriel tried to make out of the evidence. Defendants rely on the testimony of Mr. Wrighton and Mr. Pfankuch and others of plaintiff's witnesses. However, the testimony of all of these witnesses is consistent with the history of development where an inertia member separate from the reel is needed, rather than being separate from the locking means. In fact, the question and answer of Mr. Wrighton at R. Vol. III, p. 358 relied on by defendants in their opening brief is solely directed to the inertia member being separate from the reel or drum.

Defendants curiously do not even mention the fact that in the '234 patent the inertia member 32 [see red member of Ex. 76, Appx. C] has teeth which are physically part of the locking means along with the pawl 57 (orange member) [R. Vol. III, p. 476]. In fact, this is one of the improvements of the '234 device over the

'233 device [R. Vol. III, pp. 720-721]. Thus, the '234 patent discloses an inertia member 32 which is separate from the reel but which constitutes part of the locking mechanism. Similarly, defendants' devices have an inertia member 38 (or 40) which is separate from the reel 2 but which constitutes part of the locking mechanism which includes the locking ring 16 [See Ex. 85, App'x. D].

Defendants next turn to an assertion of file wrapper estoppel.

Plaintiff asserts that it has followed the statutory procedures in protecting its patent rights and that its claims are entitled to conventional interpretation and read directly on defendants' devices without the need to broaden or alter them in any manner.

Defendants assert that the doctrine of file wrapper estoppel prevents plaintiff from now attempting to broaden its claims and claim defendants' device is an infringement.

The evidence and law in support of plaintiff's assertions are that the claims read literally upon defendants' devices as testified to by Mr. Glauser, (See claim charts in App'x. G) and there is absolutely no need to broaden these claims. The file histories of the two patents, Exhibits 131 and 132, show that the claims were carefully considered by the Patent Office. The claims in suit in the '233 patent were first presented to the Patent Office on March 2, 1965. They were then claims 23 and 25 which were renumbered to be claims 7 and 9 at the time the patent issued [See p. 54-55, Ex. 131]. These claims were amended slightly by a paper filed in the Patent Office on May 10, 1956 [See p. 73, Ex. 134]. Thus, these claims were written and presented to the Patent Office in 1956, long before defendants' devices became available in 1958 and could not have been worded in an abnormal manner with defendants' devices in mind. They read directly upon the de-

endants' devices without requiring a strained interpretation of any kind. These very claims were the subject of an appeal to the Board of Appeals of the Patent Office, and the Board held them allowable and patentable without requiring further limitations or changes in the wording [Ex. 131, See Opinion of Board of Appeals, starting p. 88].

Nowhere in the entire file history is there any statement that an inertia member separate from the locking means is of importance. Neither is there any statement that the locking means is solely the pawl. What is more, it was not necessary for the applicants, at any place, to distinguish over a prior art reference on the ground that the patents in suit claim a device with an inertia member separate from the locking means or on the ground that the locking means is solely the pawl. In fact, the file history emphasizes the only important thing and that is that *the inertia member be separate from the inertia properties of the reel*. At page 36 of the file of the basic patent '233, the applicants state:

"One of the most important advances made by applicants was the utilization of a separate, rotatably mounted inertia member coupled to the cable reel as opposed to the utilization of the inertia properties of the reel itself, as used in the Sharpe device. . . . Applicants made many attempts at this inertia drum type of safety reel without meeting the necessary rigid requirements for such a safety device and was not until applicants had devised the separate inertia member coupled to the cable reel did the successful safety device emerge. There is nowhere shown in the cited reference a separate, rotatably mounted inertia member which is coupled to the cable reel, the anti-rotational effect of which serves to instigate the locking of the cable reel during excessive accelerations." (Emphasis added.) [Ex. 131, p. 36].

This quotation clearly emphasizes what applicants use to distinguish over the Sharpe prior art reference, namely, an inertia member which is separate from the reel. Sharpe does not disclose an inertia member in combination with the locking means. Therefore, applicants did not, and it was completely unnecessary to, distinguish over such a device on the grounds that the inertia member is separate from the locking means.

What was said in the case of *Hunt Tool Company v. Lawrence*, 242 F. 2d 347, 354 (5th Cir., 1957), in this regard is particularly appropriate:

“. . . the reference to the several patents cited do not make such a distinction a plausible ground for the rejection . . . appellants are protected by file wrapper estoppel *only if they can show that their alleged infringement is in an area to which the prior art could possibly have been thought to extend so as to make it impossible to make valid claims there*, for there is no reason to presume that applicant made a disclaimer broader than necessary to yield to the actual challenge to his claim. [case cited].”

(See also *Nasco, Inc. v. Vision Wrap Inc.*, 352 F. 2d 905 (7th Cir. 1965).)

Defendants' devices do not fall into any area which may have been excluded by the Sharpe prior art patent because their devices operate on the same principle as the patents in suit and not on the principles of the Sharpe reference.

The recent U. S. Supreme Court case of *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 15 L. Ed. 545, 565 (1966) defined the situation where estoppel applies in a similar manner.

The evidence and law asserted by defendants is primarily the testimony of Mr. Gabriel, defendants' patent expert, as to the file histories of the two patents and as to his version of what the law is or should be.

Defendants have asserted that plaintiff refused to cross-examine Mr. Gabriel and that plaintiff refused to present the testimony of a patent lawyer in support of plaintiff's position. Plaintiff is under no obligation to present testimony or to cross-examine witnesses concerning matters of law. It is submitted that nothing is to be gained by testimony as to what a witness thinks the law is or how he thinks it should be applied or what the words are in the file history of a patent. It is elementary that estoppel is a question of law for the Court. Likewise, the construction of patents and their file histories are questions of law for the Courts.

Mr. Gabriel construed the file history of plaintiff's '233 patent to require that the claims be interpreted to require as a court-imposed limitation that the inertia member be separate from *both* the reel and the locking means, even though the claims in suit do not state this. This contention is without merit in view of the file history.

Mr. Gabriel went through quite an analysis to reach the conclusion that file wrapper estoppel applied to the '233 patent because of the prior patent to Sharpe. Then he boldly stated that the same file wrapper estoppel carried over into the '234 patent, even though the Sharpe patent was never cited against the latter patent [R. Vol. III, p. 1189]. Absolutely no legal authority is cited by defendants to support Mr. Gabriel's version of the law.

The legal authority is directly *contra* to defendants' contention. In the case of *Bechik v. Handy Mattress Accessories Corporation*, 45 F. Supp. 73 (N.Y. 1942),

the Court considered a first patent which claimed a rigid bar and a second patent which claimed a flexible bar, and held that the second patent is entitled to cover a flexible bar even though it could not be covered by the first patent. With reference to the second patent, the Court stated:

“The balance of the defendant’s criticism of the patent in suit [the second patent], based upon the solicitation thereof and the file wrapper history, has been considered and found not to be persuasive.” 45 F. Supp. 75.

An additional case which supports plaintiff’s position and which negates Mr. Gabriel’s version of the law is *Dodge Needle Co. v. Jones*, 153 F. 186, 190 (3rd Cir., 1907). In the *Dodge* case the patentee filed a first patent application in which he asserted claims covering headless pins and he disclaimed headed pins. The patentee later filed a second application in which he claimed both headed and headless pins. The Court held that the patentee was not estopped by the proceedings concerning the first patent application because the latter stands as accepted at the close of proceedings, regardless of what passed previously.

Thus, Mr. Gabriel’s testimony as to what the law is concerning estoppel turns out to be *contra* to what the courts say it is, both with reference to when estoppel comes into play and whether or not it carries over from a first to a second patent application.

Moreover, even if the law of file wrapper estoppel did apply to the present case, the facts necessary for such estoppel do not exist as to the ’233 patent as discussed above.

III.

The Patented Inventions Meet the Requirements of Novelty, Usefulness and Non-Obviousness Set Out in the United States Supreme Court Cases of February 21, 1966, and Are Valid.

A. The Patented Inventions Are Novel.

Four United States Supreme Court cases were decided on February 21, 1966, in accordance with the arguments and evidence submitted by plaintiff, and these cases support a finding of validity of plaintiff's patents. All of these cases are based on the same rules of law as to validity. Plaintiff relies on the following two of those cases:

Graham v. John Deere Company of Kansas City,
383 U.S. 1, 15 L. Ed. 2d 545 (Feb. 21, 1966);
United States v. Adams, 383 U.S. 39, 15 L. Ed.
2d 572 (Feb. 21, 1966).

The *Adams* case involved facts very similar to this case and the Supreme Court held the patent in suit valid and infringed. In the *Adams* case the Court stated:

“As we have seen in *Graham v. John Deere*, 383 U. S. 1, 15 L. Ed. 2d 545, novelty and non-obviousness — as well as utility — are separate tests of patentability and all must be satisfied in a valid patent.”

The evidence in this case clearly shows that the patented inventions are novel and were not obvious to those skilled in the art at the time the inventions were made.

Plaintiff's inventions sense and respond to acceleration of the person to be protected and lock him into his seat when abnormal acceleration of the person's body is sensed. The commercial prior art devices sense and respond to movement of the vehicle itself.

There is no prior art which shows safety apparatus which responds to acceleration of the person to be protected. This man-sensitive feature is not shown or suggested in the prior art.

A large part of defendants' opening brief is devoted to attacking plaintiff's use of the phrase "man-sensitive safety apparatus" to describe its inventions and to distinguish the inventions over the prior art. Defendants even assert that it is a concocted and meaningless phrase and that it befuddled the Trial Court. Defendants assert that plaintiff's patented invention is merely a cable locking mechanism. However, the record shows otherwise.

The phrase "man-sensitive" is merely a convenient way to describe plaintiff's devices in a way that distinguishes them from the prior art vehicle-sensitive apparatus. It is submitted that this descriptive phrase is consistent with the way plaintiff, American Seating Company, Douglas Aircraft Company and even defendants have described these devices in the past.

All of the witnesses who are skilled in the relevant art (as opposed to Mr. Gabriel and Mr. Swedlow, who had never designed or used or tested a man-sensitive safety apparatus) distinguished the inventions in suit over the prior art vehicle-sensitive safety apparatus by its man-sensitive characteristics.

For example, Mr. McAllister, plaintiff's president, testified that "man-sensitive" is an engineering phrase to make clear the distinguishing feature and is similar to the engineering phrase "temperature-sensitive" [R. Vol. III, pp. 100-115]; Mr. Henrikson testified that American Seating Company called the devices in suit "pilot-sensitive" to distinguish them from their prior vehicle-sensitive devices [R. Vol. III, pp. 206, 209]; Mr. Pfankuch, co-inventor of the '233 patent, told the Air Force as early as 1950 or 1951 that "his idea was to

make a device responsive to movement of man relative to his seat" [R. Vol. III, p. 290]; and Mr. Rischard, formerly of Douglas Aircraft, testified that the most desirable way to decide when to lock up is by sensing motion of man [R. Vol. III, p. 253].

The devices are described in the first and tenth paragraphs of the '233 patent as follows:

"This invention relates, generally, to novel safety apparatus for use by pilots, operators, and other crew members, such as bombardiers, navigators, gunners, etc. of rapidly moving vehicles such as aircraft and automobiles and, more particularly, to novel inertia-operated apparatus for use with body harnesses which apparatus automatically functions to safely retain the pilots in their seats during crashes and the like.

"Another object of this invention is to provide a novel safety device which will automatically operate to lock the associated shoulder harness directly in response to movement of the pilot's body regardless of the direction of movement thereof."

The devices are described in the first paragraph of the '234 patent as follows:

"This invention relates, generally, to novel safety apparatus for use in retaining persons such as pilots and passengers of rapidly moving vehicles such as aircraft and automobiles in their seats during sudden and violent motion of the person with respect to the craft due to excessive changes in velocity of such craft and, more particularly, to novel apparatus of the inertia-operated class."

While prosecuting the basic patent '233 before the Patent Office, applicants argued in a paper dated December 1953:

". . . The inertia forces on the passenger's body alone are what determines whether or not the de-

vice will lock. The vehicle can accelerate and decelerate at any rate possible, but, so long as the passenger's body does not accelerate or decelerate *with respect to the vehicle*, the device will not lock up. This is indeed a great step forward in the art of inertia safety devices. It protects pilots and passengers when they need to be protected, and leaves them free to move and act when they are not in danger." [Ex. 131, pp. 22-23].

While prosecuting the improvement patent '234 before the Patent Office the applicants argued in a paper dated September 1956:

"... Applicants' claims are all directed to a safety device for mounting in a vehicle to restrain the movement of a body within the vehicle when the body is subjected to relatively high acceleration movement relative to the vehicle, while the Rudledge invention is directed to a fishing reel which is completely foreign to applicants' inertia operated safety device in object, construction, and manner of operation."

Defendants themselves made similar representations to customers, purchasing agents, buyers, etc. regarding their own devices in suit in product specifications, specification papers for installing their devices on seats and in published and copyrighted technical journals [Exs. 48-53, see in particular Ex. 51, pp. 7-8 previously quoted].

Defendants assert that the term "man-sensitive" is improper because the devices are tested mechanically and because one of plaintiff's patents stated that the devices may be used in connection with freight handling or the like.

This argument fails to take into consideration the fact that the devices are constructed for protecting people from injury or death, and that is what defendants'

devices are employed for. There is no evidence that the devices have been employed for other purposes. In fact, Mr. McAllister testified he never saw the patented devices used for freight handling and never considered them to apply other than for protecting persons in their seat [R. Vol. III, p. 197]. Defendants did not present any evidence of any tests to demonstrate that the devices would be satisfactory for any other purposes.

Moreover, the claims in suit are specifically directed to devices which respond to abnormal movement of a seat occupant for protecting him in his seat.

On page 10 of their opening brief, defendants assert that plaintiff relies upon the term "man-sensitive", and not upon the term "acceleration-sensitive", in this action, whereas before the Patent Office plaintiff relied upon the term "acceleration-sensitive."

Nothing could be farther from the truth. Defendants made the acceleration-sensitive feature of plaintiff's devices the major issue before the Trial Court because they asserted that their devices lacked this feature both in their brief before trial and in their counsel's opening argument [R. Vol. II, pp. 438-439, R. Vol. III, p. 17].

Approximately two-thirds of the trial was devoted to this issue. The Opinion of the Trial Court had this to say about the issue:

"Defendants further urge that their device responds to velocity, while plaintiff's reel responds solely to acceleration . . .

"The parties have devoted a large part of their testimony and their briefs to the question of what force activates (i.e. locks) each of the devices. . . .

"Careful examination of the testimony and of the exhibits persuades the court that the distinction defendants seek to draw here is not a valid one, particularly in view of the terminology of defendants' patent describing their device as acceleration-operated." [R. Vol. III, p. 900].

Defendants' assertion that plaintiff now relies upon "man-sensitive", and not upon "acceleration-sensitive" is not in accordance with the record. Defendants are attempting to fabricate something that can not exist.

On pages 9 and 10 of their opening brief defendants attempt to show that the proceedings before the Patent Office concerning the '234 patent make the phrase "man-sensitive" improper and assert that plaintiff was required to cancel references to the pilot's body.

This argument fails to take into consideration the fact of the Patent Office requirement related to the definition of parts or elements of the invention in terms of the pilot's body [Ex. 132, p. 46]. The Patent Office did not require that reference to the body be deleted from the preamble of the claim where the purpose is described. For example, Claim 1 of the '234 patent states:

"1. A safety device for mounting in a vehicle to restrain movement of a body within the vehicle when the body is subject to relatively high acceleration movement relative to the vehicle. . . ."

In its most recently reported decision dated October 6, 1966, the Court of Customs and Patent Appeals had this to say about the introductory portions of claims:

"First, we do not agree that the portion of the patent claims which recite 'a composition for setting hair', may be ignored in determining what invention is defined by the patent claims . . . those introductory words give life and meaning to the claims."

In re Walles, Tousignant and Houtman, 151 U.S.P.Q. 185, 190 (Federal citation not yet available).

Thus, the inventions relate to apparatus for sensing the movement of a person with respect to the seat he

occupies. The term “man-sensitive” is proper. Defendants’ objection to the phrase “man-sensitive” is not well founded in fact or in logic.

Certainly the use of the term “man-sensitive” did not befuddle the Trial Court, as defendants assert. The Opinion which the Trial Court filed on July 12, 1965 shows a clear grasp of the facts and issues and not befuddlement.

Defendants further assert that the trolley catcher patents to Ham, Burdon and Ricketts anticipate the patented inventions. However, the trolley catchers do not show or suggest devices for holding a man in his seat. The trolley catchers are large heavy devices mounted outside streetcars which serve to catch a pole having a predetermined fixed weight when it is urged unidirectionally upwardly by a spring having fixed characteristics, whereas the patented inventions are small devices mounted on the back of a seat which serve to sense the movement of a person in any direction [see discussion, R. Vol. III, pp. 1731-1736, App’x. E].

The claims in suit distinguish over the trolley catchers in a number of respects. The claims have the following limitations which distinguish them from the trolley catcher devices in the Ham, Burdon and Ricketts patents: safety apparatus for preventing a seat occupant of a vehicle from being thrown off his seat, an inertia lock device adapted to be mounted on the back of a seat, a flexible connector or cable adapted to be coupled to the seat occupant within the vehicle, and means for sensing the acceleration of the flexible connector caused by forces acting on the seat occupant to retain the seat occupant in his seat in the event of an abnormal movement of the occupant with respect to the seat.

These elements and features and functional relationships are not disclosed by the trolley catcher patents and thus, plaintiff’s claims require elements and fea-

tures and functional relationships which are not shown by the prior art.

The *Adams* case involved very similar facts. In the *Adams* case, application for the patent was filed in the name of Adams in 1941. It is directed to a battery comprising two electrodes, one made of magnesium and the other of cuprous chloride, both of which are placed in a container. An object of the patent is to provide a battery which is relatively light in weight with respect to capacity and in which the battery may be manufactured and distributed to the trade in a dry condition and rendered serviceable by merely filling the container with water.

Out of a total of 11 claims only claims 1 and 10 were principally relied on. Both of these claims include magnesium electropositive and fused cuprous chloride electrodes but *neither positively include the water battery fluid*.

The Supreme Court stated:

“The Adams invention was the first practical water-activated, constant potential battery which could be fabricated and stored indefinitely without any fluid in its cells. It was activated within 30 minutes merely by adding water.” 15 L. Ed. at p. 575.

Signal Corps scientists observed the demonstrations and conducted their own further tests but at first did not believe the battery workable. One Government expert “expressed doubts” about it. Later the Signal Corps concluded the battery was feasible and started using it extensively. By 1956 it was noted that the addition of water-activated batteries to the family of power sources had brought about developments which would otherwise have been technically or economically impossible. In 1955 Adams learned of the Government’s action and requested compensation. The re-

quest was denied and Adams brought suit against the Government.

At trial the Government primarily relied upon six references which together, it contended, disclose the magnesium and cuprous chloride electrodes and the water battery fluid. The Government contended that the claimed combination represented either no change or an insignificant change as compared to the prior art battery and would not justify a patent. The Supreme Court found the Government's contention in error because:

" . . . First, the fact that the Adams battery is water-activated sets his device apart from the prior art. . . .

" . . . it is fundamental that claims are to be construed in the light of the specifications and both are to be read with a view to ascertaining the invention. . . . Taken together with the stated object of disclosing a water-activated cell, the lack of reference to any electrolyte in Claims 1 and 10 indicates that water alone could be used. . . . It is evident that respondents' present reliance upon this feature was not the afterthought of an astute patent trial lawyer. . . . The findings approved and adopted by the Court of Claims, also fully support this conclusion," 15 L. Ed. at p. 579.

In this case, we have a novel device for protecting persons in their seat, one that responds to abnormal movement of a man relative to his seat in any direction. The patented inventions are for protecting persons in their seat by their history of development, by their patent specifications and claims, by their file histories, and even by defendants' own admissions in its published and copyrighted literature. The claims in suit are novel.

Defendants rely on Exhibits I through T which allegedly compare the patented devices and the trolley catcher patents and state there was no cross-examination

of their experts, Gabriel and Swedlow, on their testimony as to these exhibits.

Plaintiff did in fact cross-examine defendants' two experts on the prior art trolley catcher patents and found that they had never tested a trolley catcher, had never designed one, had never analyzed the forces which would be involved, did not know the G's or the rate of onset for the G's for a trolley catcher, had never seen a trolley catcher restrain a man in a seat, and had never seen defendants' device used as a trolley catcher [R. Vol. III, pp. 1492-1494, 1553-1558].

In short, plaintiff's cross examination of defendants' witnesses concerning the trolley catchers showed that they knew very little about the matter and were only trying to tell the Trial Court what the law is based on public documents, namely, the Ham, Burdon and Ricketts patents. Their testimony added nothing to these patents which were already of record, *before* their testimony for the Court to review for itself.

Claim charts of Appendix G summarize where the claims in suit are not met by the Ham, Burdon and Ricketts patents.

B. The Patented Devices Were Not Obvious to Persons Skilled in the Pertinent Art Involved at the Time the Inventions Were Made.

Plaintiff asserts that the patented devices were not obvious to those skilled in the pertinent art at the time the inventions were made and satisfies the requirement for inventions laid down in the Supreme Court cases of February 21, 1966.

Defendants assert that the invention is directed to the old combination of a vehicle, a safety device, a cable and an object and this is anticipated by combining the Nordmark patent '693, the Geohegan patent '653 and the trolley catcher patents.

Defendants' assertion fails because the patents to Nordmark and Geohegan do not suggest sensing the acceleration of the man with respect to his seat to actuate the locking mechanism but are vehicle sensitive devices, and the trolley catcher patents are not concerned with protecting persons at all.

Under similar circumstances the Court of Customs and Patent Appeals in *Application of Adams* (C.C.P.A. 1966), 356 F. 2d 998, in considering whether an invention would have been obvious to those skilled in the art in view of the art stated at page 1002:

“ . . . but the fact remains that neither reference contains the slightest suggestion to use what it discloses in combination with what is disclosed in the other.”

Here the Nordmark and Geohegan patents do not suggest the use of what they disclose in combination with what is disclosed in the trolley catcher patents, and vice versa.

Moreover, defendants' assertion that these references can be combined assumes that the devices of the trolley catcher patents would function satisfactorily if employed to sense the movement of a man in his seat and hold him there in the event of abnormal acceleration. Defendants' witnesses testified that the devices of the trolley catcher patents would so function, but they did not back up this with any tests or other proof. Their testimony was based upon their opinion that the trolley catchers would *inherently* perform the required sensing and locking action. To the contrary Mr. Glauser testified it would be “outlandish” to even attempt to use a trolley catcher to protect a person in his seat [R. Vol. III, p. 1732].

In the *Application of Adams* case, *supra*, the court had this to say about such arguments at page 1003:

“ . . . But the art does not suggest the use of foam in heat transfer of any kind and there is not the slightest suggestion that anyone *knew* of the existence of this inherent superiority until Adams disclosed it. After all, Bell’s telephone was ‘inherently’ capable of transmitting speech, DeForest’s triode was ‘inherently’ capable of amplification, and, to come down to date, so was the tiny transistor which is rapidly supplanting it.”

In an opinion dated July 21, 1966 entitled *Application of Spormann and Heinke*, 363 F. 2d 444 the Court of Customs and Patent Appeals stated at page 448:

“ . . . As we pointed out In re Adams, 356 F. 2d 998, 53 CCPA . . . , the inherency of an advantage and its obviousness are entirely different questions. That which may be inherent is not necessarily known. Obviousness cannot be predicated on what is unknown.”

The Court of Customs and Patent Appeals is the court that hears most of the appeals concerning patentability of inventions and, hence, its views are entitled to great weight.

The evidence in support of plaintiff’s assertions are, even assuming for a moment that all of the elements of the man-sensitive safety apparatus could be found here and there in the combination of the Ham, Burdon and Ricketts trolley catcher patents and the Nordmark and Goehagan vehicle-sensitive safety apparatus, to combine the disclosures of the prior patents and redesign the devices to come up with a man-sensitive safety apparatus in accordance with the inventions in suit, would require a person skilled in the art of vehicle-sensitive safety apparatus to ignore (1) that many years of design and development had gone into the design of safety apparatus for sensing vehicle deceleration to cause lock up, (2) that although there was a

need for multidirectional safety devices for protecting a man in his seat, all research and development thereof had been of the vehicle-sensitive type, (3) that a man can move slow or fast as he desires and that if abnormal movement of a man is sensed to cause lock up he might cause lock up to occur before an emergency really exists [see R. Vol. III, p. 278, where Air Force personnel who had previously used vehicle-sensitive devices even tried to trick one of plaintiff's models]. It would require the realization that abnormal movement of the man in any direction could be sensed to cause lock up of the safety apparatus and that movement of the man in any direction below the abnormal amount would not cause the man to be locked up, something never thought of before the invention of Pfankuch and Wrighton.

The Supreme Court concludes that the Adams battery is non-obvious stating:

“ . . . Despite the fact that each of the elements of the Adams battery was well known in the prior art, to combine them together as did Adams required that a person reasonably skilled in the prior art must ignore that (1) batteries which continued to operate on an open circuit and which heated in normal use were not practical; and (2) water-activated batteries were successful only when combined with electrolytes detrimental to the use of magnesium. These long-accepted factors, when taken together, would, we believe, deter any investigation into such a combination as is used by Adams.” 15 L. Ed. at p. 580.

In the present case the primary user of the patented devices was at first skeptical of the principle of operation. Trolley Catchers had been around since the turn of the century (Ham patent '763 was filed in 1901) and the latest patent activity in the record is in 1919 (filing date of Ricketts patent) and yet no one borrowed from

the out-dated trolley catcher art to improve on the prior vehicle-sensitive safety apparatus even though these trolley catching devices have been in existence for over 65 years. All of the witnesses skilled in the relevant art who testified on this subject testified that they and their companies have not used trolley catchers as a basis of improving on their safety apparatus. These witnesses are Mr. Henrikson of American Seating Company [R. Vol. III, p. 222], Messrs. Pfankuch, Wrighton and Luttrell of plaintiff [R. Vol. III, pp. 289, 351 and 449].

Subsequent to plaintiff's entry into the market in 1954, numerous improvement patents dealing with man-sensitive safety apparatus were filed by plaintiff and other companies and some companies introduced their own versions thereof into the market. For example, between 1956 and 1960 applications for at least eight U.S. patents (now issued) were filed by American Seating Company, defendants, Teleflex Products Limited and Rocket Power, Inc. and between 1955 and 1961 applications were filed by plaintiff for five patents (now issued) [Exs. 66, 114]. All of these are of the man-sensitive type [R. Vol. III, p. 749].

American Seating Company and Hardman Tool and Engineering Company came out on the market with a man-sensitive safety apparatus of their own and took out licenses with plaintiff under the patents in suit in November 1959 and May 1964 [Exs. 17, 18]. Teleflex in England, SARMA in France and Shimadzu in Japan took out licenses from plaintiff under the foreign counterparts of the patents in suit and started using the patented devices and paid royalties therefor [Exs. 19-21]. Subsequent to the filing of the patents in suit, plaintiff itself developed and sold many different models of man-sensitive safety apparatus, including Models 0101, 0106, 0107, 0108, 0103114, 0103144, 0103162, 0103136 [R. Vol. III, p. 26-28; Exs. 6-10].

It is apparent that it was plaintiff's pioneering effort in conceiving and developing the first man-sensitive type of safety apparatus that prompted further development on these devices, not the antiquated trolley catchers which defendants searched out as an after-thought to try and justify their acts. The inventions in suit were just not obvious to those skilled in the art of protecting persons in their seat *at the time the inventions were made*, because they were thinking in terms of vehicle-sensitive safety apparatus and had not considered man-sensitive devices at all.

In the *Adams* case, the Supreme Court continues:

“Nor are these the only factors bearing on the question of obviousness. We have seen that at the time Adams perfected his invention noted experts expressed disbelief in it. Several of the same experts subsequently recognized the significance of the Adams invention, some even patenting improvements on the same system.” 15 L. Ed. at p. 580.

All of these indicia are present under the facts of this case.

Defendants recklessly assert that “the Trial Court did not make any findings which discuss the differences between the prior art and the claims at issue” and the only finding relating to obviousness is a flat statement, with no explanation, making reference to the second sentence of Finding 53.

Contrary to these erroneous assertions, Finding 53 is set out in full in Appendix H with record references supporting the facts therein. Also, the following additional findings should be noted in this regard, Nos. 56, 62, 64, 65, 67-70.

As to defendants' assertion regarding no findings describing the differences over the prior art, Finding 57 completely refutes this contention.

**C. The Presumption of Validity and the Factors
Strengthening the Presumption.**

Plaintiff asserts that its patents are presumed valid and striking commercial success and other attendant factors strengthening this presumption are not overcome by the defendants.

Defendants assert that plaintiff substitutes commercial success for invention.

In support of plaintiff's assertion, the law says that a patent is presumed valid and defendants carry a heavy burden of proof in asserting invalidity. 35 U.S.C. 282.

Neff Instrument Corporation v. Cohn Electronics, Inc., 298 F. 2d 82, 86 (9th Cir., 1961).

The presumption of validity is strengthened by striking commercial success. Striking commercial success is evidenced, among other things, by the following: a sharp rise in plaintiff's sales [Ex. 24, R. Vol. III, p. 51], as the sales of prior art devices declined sharply [Ex. 62, R. Vol. III, p. 217]; the fact that man-sensitive apparatus achieved world-wide acceptance displacing the prior art devices and now occupies about ninety per cent (90%) of the world market [R. Vol. III, p. 68]; and the fact that plaintiff's man-sensitive devices have been widely used on both military and commercial vehicles [R. Vol. III, pp. 62-63].

Commercial success is a strong indication of substantial advance required to establish patentable invention. *Eibel Process Company v. Minnesota & Ontario Paper Company* (1923), 261 U.S. 45, 67 L. Ed. 523; *Hayes Spray Gun Company v. E. C. Brown Company*, 291 F. 2d 319 (9th Cir., 1961). The Ninth Circuit case of *Monroe Auto Equipment Co. v. Superior Industries, Inc.*, 332 F. 2d 473 (May 22, 1964), relied on by defendants, recognizes this same rule of law.

Defendants insinuate high pressure salesmanship caused plaintiff's commercial success. Directly to the contrary, between 1954 and 1963 plaintiff's sales of man-sensitive apparatus amounted to about \$7,000,000, yet less than $\frac{1}{2}\%$ was spent for advertising this product [R. Vol. III, p. 71].

Significantly, the claims in suit read on each of plaintiff's commercial models listed on Exhibit 24 [R. Vol. III, pp. 701, 702, 714], therefore, each device comes within the scope of both patents in suit and the striking commercial success applies to both.

The presumption of validity is further strengthened by the fact that the trade (*i.e.*, the U.S. Air Force) was at first doubtful of the principle of plaintiff's new man-sensitive apparatus [R. Vol. III, p. 276], this doubt was later displaced and large quantities of the devices were purchased. *United States v. Adams, supra*. This doubt and its later displacement is uncontradicted by defendants.

The fact that there was a long-felt want in the industry while experts were trying to solve the problems of the prior art, strengthens the presumption of validity and is cogent evidence of patentable invention. *Tile Council of America, Inc. v. Ceramic Tilers Supply, Inc.*, 149 U.S.P.Q. 398, 408 (S.D. Cal., 1966); *Moist Cold Refrigerator Co. v. Lou Johnson Co.*, 249 F. 2d 246, 253 (9th Cir., 1957); *Eibel Process Co. v. Minnesota & Ontario Paper Co.*, 261 U.S. 45, 68, 67 L. Ed. 523. In this regard people's lives were being lost due to the deficiencies of the prior art [R. Vol. III, pp. 271-272], engineers highly skilled in the relevant art working at American Seating were engaged in a search for a safety apparatus which would overcome these deficiencies [R. Vol. III, p. 205] and as a result a number of vehicle-sensitive safety apparatus were developed. However, none were commercially acceptable [R. Vol. III, p.

208]. It was finally plaintiff's multi-directional man-sensitive apparatus which met with acceptance in the market place. This evidence is unrefuted by the defendants.

The presumption of validity is further strengthened by the fact that defendants adopted the patented man-sensitive apparatus after plaintiff had successfully entered the field with its device. *Tile Council of America Inc. v. Ceramic Tilers Supply Inc.*, *supra*.

The presumption of validity is further strengthened by the fact that the inventors of the patents in suit succeeded where other highly skilled engineers (at American Seating Company) failed [R. Vol. III, p. 208]. *United States Pipe and Foundry Co. v. Woodward Iron Co.* (4th Cir., 1964), 327 F. 2d 242.

The presumption of validity is further strengthened because plaintiff was a pioneer, and an innovator by introducing a man-sensitive safety apparatus on the market, whereas, defendants *later* copied the inventive feature thereof and introduced one on the market after acquiring four of plaintiff's devices [R. Vol. III, pp. 86, 90-91]. *United States Pipe and Foundry Co. v. Woodward Iron Co.* (4th Cir., 1964), 327 F. 2d 242.

The presumption of validity attending plaintiff's patents is further strengthened by their extended history in the Patent Office over a period of more than *five years*, during which time careful consideration was given the claimed inventions by the U.S. Patent Office [Exs. 131, 132]. The presumption of validity of claims 7 and 9 of '233 patent is additionally strengthened by the considered opinion of the Board of Appeals of the U.S. Patent Office which considered and allowed these claims [Ex. 131, pp. 88-91]. *S. H. Kress & Company v. Aghnides* (4th Cir., 1957), 246 F. 2d 718.

The presumption of validity attending both patents in suit is further strengthened because corresponding patent applications were filed throughout the world under the International Convention and patents issued thereon (basic patent '233 has corresponding patents in Great Britain—Ex. 33, France—Ex. 34, Japan—Ex. 35, Canada—Ex. 36; improvement patent '234 has corresponding patents in Great Britain—Ex. 37, France—Ex. 38; West Germany—Ex. 39; Japan—Ex. 40, and Canada—Ex. 41], license agreements have been extended to both domestic and foreign manufacturers (United States—American Seating Co., Ex. 17 and Hardman Tool & Engineering Company, Ex. 18; France—SARMA, Exs. 22, 23; England—Teleflex Products Ltd., Exs. 19, 20; Japan—Shimadzu, Ex. 21), and substantial royalties have been received under both domestic and foreign license agreements (United States—in excess of \$10,000 at 6% [R. Vol. III, p. 39, Ex. 17]; foreign—about \$50,000 [R. Vol. III, p. 45]). *United States Pipe and Foundry Co. v. Woodward Iron Co., supra.*

Defendants assert that only nominal royalties have been received and that no royalties have been received under the Hardman license [Ex. 18] and minimum royalties have ceased under the American Seating license [Ex. 17]. Directly contrary to this assertion. \$10,000 royalties at a 6% rate is hardly minimal. Regarding American Seating Company's royalty payments, Mr. McAllister testified royalties were not received during the last reporting period and royalties are paid on shipment which “. . . would mean that they have not shipped any during the last report period” [R. Vol. III, p. 138]. Royalties could hardly be expected to be reported under the Hardman agreement as the first royalty was not due until February 15, 1965 after trial was completed [R. Vol. III, p. 141]. Defendants' as-

sertions are unsupported by the facts. Besides plaintiff and defendants, Plaintiffs licensees American Seating Company and Hardman Tool and Engineering are the major producers of the safety apparatus in question [R. Vol. III, p. 36].

Defendants also attempt to distract from the striking commercial success by asserting that royalties under the foreign licenses could not be divided from payments for know-how and technical information. The fact that foreign licensees pay for know-how and technical assistance for the patented devices evidences its scientific advance and does not detract from commercial success at all.

Moreover, defendants' assertion is not supported by the facts. Mr. McAllister testified in regard to the Teleflex Agreement [Ex. 19] on cross-examination that 5% is the base royalty and the difference between it and the higher percentages is for know-how [R. Vol. III, p. 150]. The Shimadzu license [Ex. 21] has a separate item of \$10,000 provided for technical assistance (Section 5) with a 5% royalty on top of that [R. Vol. III, p. 157]. The SARMA license [Ex. 23] has Section 4 which provides for \$10,000 to cover technical and manufacturing data and has Section 5 which provides for a 5% royalty on the product. Defendants' assertions are directly contrary to the facts.

Contrary to defendants' assertions, foreign patents and licenses are relevant and cogent evidence of worldwide acceptance and commercial success strengthening the presumption of validity *United States Pipe and Foundry Co. v. Woodward Iron Co.*, *supra*.

The presumption of validity accompanying the patents in suit has been strengthened and defendants have not overcome this presumption by the citation of the Ham,

Burdon and Ricketts trolley catcher patents. These patents were discovered by defendants after they were charged with infringement, and defendants assert that they destroy the presumption of validity. However, the patents cited by the Patent Office are more pertinent than the trolley catcher patents, and hence the presumption of validity is not affected.

For example, the Sharpe patent discloses an arrangement for catching the leg of a cow, and the Patent Office held the inventions patentable over the Sharpe patent itself and over the Sharpe patent in combination with patents to Scheuer, Caouette and Trouin which showed other locking arrangements [Ex. 131, pp. 88-91].

The Sharpe patent directed to catching the leg of a cow is in a field and for a purpose much more closely related to the patented inventions than are the devices of trolley catcher patents that serve to catch a pole as it moves vertically in the air due to the force of a spring or weight when the trolley catcher disengages the trolley wire.

D. The Ham, Burdon, and Ricketts Trolley Catcher Patents Are Improper Prior Art References as They Are in a Non-Analogous Art.

Plaintiff asserts the prior trolley catchers lie in a remote non-analogous art and are not pertinent prior art.

Defendants assert the purpose of the locking mechanism of the Ham, Burdon, and Ricketts trolley catcher patents is to stop movement of a cord, such purpose is the same as the patented devices and, therefore, Ham, Burdon, and Ricketts are not in a non-analogous art.

The law in support of plaintiff's position includes the leading Ninth Circuit case of *Stearns v. Tinker &*

Rasor, 220 F. 2d 49, (9th Cir., 1955), where the Court stated:

“It is said that if the element and purposes in one *art* are related and similar to those in another *art*, and because and by reasons of that relation and similarity make an appeal to the mind of a person having mechanical skill and knowledge of the purposes of the other art, then such *arts* must be said to be analogous; and, if the converse is true, they are non-analogous *arts*. . . . Even if we assume here a relation and similarity of element in holiday detectors [art of invention in suit] and snap switches [non-analogous prior art], the *purpose of the snap-switch art*, i.e. to open and close an electric circuit, has no relation or similarity to the *purpose of the art* of holiday detection, i.e. to determine the condition of pipe coating by subjecting it to electrical inspection.” (Emphasis and bracketed material added.)

The facts in this case fit the Ninth Circuit rule laid out in the *Stearns* case exactly. The *Stearns* test relates to *purpose of the arts*. The arts involved in the *Stearns* case are as follows: the prior art is the snap-switch art and the patented art is the art of holiday detectors. In the present case the *prior art asserted by defendants is the trolley catcher art*, and the *patented art is the art of safety devices for keeping a man in his seat*.

As stated by Mr. Glauser, a highly skilled engineer in the art:

“A. In my view point the main purpose of the patent in suit . . . is a device for keeping a man in his seat.” [R. Vol. III, p. 905].

Mr. McAllister (president of plaintiff) testified to the very same purpose, i.e., of keeping a man in his seat [R. Vol. III, p. 25]. The specification of the pat-

ents in suit, the claims in suit, the file histories of the patents in suit all assert the same purpose, *i.e.*, to protect a person in his seat. Thus, the primary purpose of the patented art, which includes the complete safety system (*i.e.*, the inertia reel for mounting on a seat or in a vehicle and harness straps for coupling to a person's body), is to keep a man in his seat, which is markedly different from catching a trolley pole in the air.

Comparing the trolley catcher devices and the patented devices, Mr. Glauser testified in regard to the instantaneous action of the patented devices during crash conditions, stating:

“ . . . the whole thing is over in a fraction of a second as far as whether he is going to live or die, he has a fraction of a second, and within this fraction of a second we have to lock this device up and secure him in the seat, . . .” [R. Vol. III, p. 1729].

He also testified the patented devices weigh about a pound and must withstand thousands of pounds (military specs. require 4000 pounds). In contrast, the trolley catchers are crude devices that weigh 15 to 20 pounds, only need to catch 20 to 30 pounds [R. Vol. III, pp. 1732-1734] and can lock the trolley boom in about two feet of rope travel and still operate satisfactorily [R. Vol. III, p. 1733]. Even Ricketts in his patent starting at page 1, line 87, indicates that it really doesn't matter if a trolley catcher locks up right away, *i.e.*, on the first bounce or not.

One of the outstanding features of the patented devices is its multidirectional sensitivity. The need for a multidirectional operation does not exist in trolley catchers. In this regard, the *trolley catcher patents only teach the sensing of movement in a vertical direction not multidirections* (*i.e.*, See the Ricketts patent, p. 1, lines

33-37, the Burdon patent, p. 1, lines 85-90, and the Ham patent, p. 1, lines 41-45).

Defendants seek to detract from the multidirectional feature of the patented devices by asserting that it can only occur when guides or frames are used and such guides or frames are not included in the claims in suit. This assertion is directly contrary to the record. In achieving the multidirectional operation of the patented devices, the safety reel and the strap coupled to the man are arranged so that regardless of the direction of movement of the man, the forces of acceleration applied to the strap will always be in one constant direction relative to the inertia reel. This can be achieved in two ways; one is by the use of guides at the top of the seat [R. Vol. III, pp. 570, 571], the other is by mounting the reel near the top of the seat as defendants do [See Exs. 81 and 82, App'x. F], in which case the guides can be eliminated [R. Vol. III, p. 571]. These guides or the position of the patented devices for multidirectional operation are not spelled out in the claims in detail but are encompassed in the overall teaching and concept of the term safety apparatus [R. Vol. III, pp. 913-914].

Defendants assert the purpose of the patented devices and the trolley catchers are the same but they base their contentions on the purpose of bits and pieces rather than upon the overall purpose, of the art which is the test of the *Stearns* case.

The purpose of small portions of a device or its elements, such as the locking mechanism in the device, or the flexible connector, or the reel, etc. is just not pertinent to the test. If the *Stearns* test was as defendants contend, it would have no meaning even to the facts of that case. For example, in the *Stearns* case the purpose of the *coil spring* in *both* the *snap-switch device* and the *holiday detector device* is to make

electrical contact. Therefore, according to defendants, snap-switches and holiday detectors are in the same analogous art contrary to the *Stearns* decision. It is the *purpose of the art* not the purpose of some detailed part of the patented device that is used in the *Stearns* test.

Applying the facts in this case to the *Stearns* test: the purpose of the *Trolley catcher art*, i.e., *to catch a trolley pole as it flies up in the air* [R. Vol. III, p. 1736], has no relation or similarity to the purpose of the *art of safety devices for keeping a man in his seat* [R. Vol. III, p. 25], i.e., *to protect a man in his seat during a crash or a violent maneuver or the like, consequently the arts are non-analogous*.

The question basically reduces to a question of whether one skilled in the patented art would naturally have looked to the alleged prior art. *Stearns v. Tinker & Rasor*, *supra*, page 56; *General Metals Powder Company v. S. K. Wellman Company*, 157 F. 2d 505, 510 (6th Cir., 1946).

None of the following highly skilled engineers in the art of devices for keeping persons in their seat considered the trolley catcher art in designing man-sensitive safety devices, even though the trolley catcher patents issued about half a century ago: *Mr. Pfankuch* (formerly executive vice president of plaintiff and a co-inventor of '233 patent) [R. Vol. III, p. 289]; *Mr. Wrighton* (project engineer for plaintiff and co-inventor of '233 and '234 patents) [R. Vol. III, p. 351]; *Mr. Luttrell* (design engineer of plaintiff) [R. Vol. III, p. 449]; *Plaintiff's engineers* [R. Vol. III, p. 448]; *American Seating Company engineers* [R. Vol. III, p. 222].

Mr. Glauser testified that an engineer skilled in the art of designing the prior vehicle-sensitive apparatus

would not at all look to the art of trolley catchers to improve on their design.

“ . . . because the environment that he lives in, the thing that he is trying to do is to save people's lives, not to grab hold of a pole in the air. He would be concerned with the physiological make-up of a human being.” [R. Vol. III, p. 1736] (Emphasis added.)

Defendants assert that the use of the trolley catchers is the same as the patented devices and attempt to do this by equating men and trolley poles. Defendants cannot make this hurdle because, as Mr. Glauser's unchallenged and unrefuted testimony bears out, people skilled in the patented art are concerned with the physiological makeup of human beings having different physical characteristics, such as reflexes, and not just catching a pole having fixed characteristics [R. Vol. III, p. 1736].

The facts of the *Stearns* case, *supra*, are very similar to this case wherein the Court stated at page 58:

“ . . . We have here, then, a patent for an improvement which fills a long felt need, which those schooled in the art had not been able to devise before the patentee, and which meets with acceptance in the market. When these indicia of invention are taken into account together with the true state of the prior art and what Stearns actually did to improve the art, it must be concluded that the Stearns patent is not invalid for want of invention. [Cases cited]. . . ”

Defendants themselves consider the trolley catcher art, including the Ham, Burdon and Ricketts patents non-analogous art. Defendants knew about these patents by September 1960 long before their patent [Ex.

66] was issued by the Patent Office in May 1961 [Ex. 127, Answer to Interrogatory No. 41]. Defendants admit their patent [Ex. 66] describes their device [R. Vol. III, p. 1102] and if they seriously believed these trolley catcher patents pertinent, they had a *duty* to call these trolley catcher patents to the attention of the Patent Office in connection with their very own patent. *United States v. Standard Electric Time Company*, 155 F. Supp. 949, 952 (D. Mass. 1957), appeal dismissed, 254 F. 2d 598 (1st Cir., 1958); *Admiral Corporation v. Zenith Radio Corporation*, 296 F. 2d 708 (10th Cir., 1961); *Ruth v. Blue River Constructors*, 224 F. Supp. 717, 724 (D.C. Colo. 1963).

This is particularly true in this instance because Mr. Lautier, vice president of defendants, represented to plaintiff that he considered the trolley catcher patents to more closely resemble the construction and mode of operation of defendants' device than plaintiff's patented devices [Ex. 133, p. 2 of Lautier letter of November 14, 1960], and he communicated his views to plaintiff about six months before defendants' patent issued.

It is presumed that a person is innocent of a crime or wrong, that the official duty of an attorney is regularly performed, and that the law has been obeyed. California Code of Civil Procedure, Section 1963, paragraphs 1, 3 and 15; *People v. Gay et al.* (1940), 37 Cal. App. 2d 246, 248 [See 28 U.S.C. 1652 and *Lustgarten v. Felt*, 92 F. 2d 277 (3rd Cir., 1937), to effect that state laws of presumptions apply in Federal Courts.]

Defendants have not controverted these presumptions and hence it is presumed that defendants and their attorneys carried out their duties to the Patent Office and to the general public. In fact, defendants did not produce *any* witnesses who could controvert these preumptions because defendants did not produce as witnesses

any of their own people who had knowledge of defendants' activities. Accordingly, it must be presumed that *defendants and their attorneys considered the trolley catcher patents non-analogous art.*

Defendants' position with respect to the pertinency of the trolley catcher patents to their devices shifts as defendants see fit to meet their erroneous arguments. For example, before trial defendants represented that the trolley catchers more closely resemble defendants' devices than the patented devices [Mr. Lautier's letter of November 14, 1960—Ex. 133]. Then, at trial, defendants asserted their devices are not acceleration-responsive and since the trolley catchers are acceleration-responsive, defendants dropped their earlier argument to plaintiff, reversed themselves and argued:

“Defendants' patent, Exh. 66, contains *claims* on a safety device which are completely different than the safety devices disclosed in the prior patents to Ham, Burdon and Ricketts.” [Defendants' Memorandum After Trial, p. 25, R. Vol. III, p. 759].

Now that the District Court found defendants' devices acceleration-responsive and they cannot effectively argue this distinction any longer, defendants reverse themselves again and in their title to Appendix C, page 3, which purportedly compares the defendants' devices and the Ham trolley catcher device, they state DEFENDANTS' DEVICE EMPLOYS ELEMENTS OF PRIOR ART.

Defendants seek to justify their contradictory positions on the ground that it is the claims in their patent that are important. Defendants represented to the Patent Office they had a patentable invention defined in their claims. However, they could not truthfully do so if they truly believed the Ham patent employs the elements of their device (as they now assert) and is

pertinent. Such uninhibited shifting of positions demonstrates the weakness of defendants' defenses.

Thus, prior to this controversy, defendants' position was that these prior art trolley catcher devices were not important with respect to their own patent (they did not call them to the attention of the Patent Office), but now defendants contend that these patents are controlling on the issues in this case.

The Patent Office even considers the trolley catcher art non-analogous. There is a presumption that the Patent Office carries out its official duties. In fact, Section 904.01(c) of the Manual of Patent Office Examining Procedure (2nd Ed.) (App. Op. Br. p. 18), instructs Examiners to search all analogous art wherever classified.

In this case, the Patent Office did not cite any trolley catcher patents against either patent in suit, or against fourteen other man-sensitive safety apparatus patents, eight of which are owned by the plaintiff [R. Vol. III, p. 748, Ex. 114]. Additionally, none of these trolley catcher patents were cited by the Patent Office against the defendants' patent [Ex. 66] which admittedly covers the defendants' devices in suit [R. Vol. III, p. 751]. *These numerous patents issued over a period of approximately six years, showing that the failure of the Patent Office to cite the trolley catchers as prior art is not an oversight.* The Patent Office simply does not consider the trolley catchers to be pertinent.

E. Misjoinder of Inventors Does Not Exist and Even if It Did, It Would Not Invalidate the Improvement Patent.

Plaintiff asserts the Cushman model [Ex. 64] is an incomplete experimental model made during the joint effort of Messrs. Wrighton and Cushman in develop-

ing the '234 patented device, and it has a reel which an inertia pawl mounted on the reel and a locking ring around the outside of the reel essentially the same as defendants' infringing devices, showing that the inventors even contemplated the defendants' detailed structure when the '234 patent was filed approximately four or five years before defendants developed their structure.

Defendants assert that Mr. Wrighton, co-inventor of the '234 patent, is misjoined because "all Wrighton did was to *see* the [Cushman] model and drawing after they were completed by Cushman on November 20, 1952" (App. Op. Br. p. 41).

The facts and law in support of plaintiff's position are as follows: Mr. Wrighton testified on cross-examination:

"Q. Did your joint effort with Mr. Cushman start after November 20, 1952? A. *No, this was prior to that time.*

Q. *That your joint effort started?* A. *On the '234 patent?*

Q. *Yes.* A. *Yes.*" [R. Vol. III, p. 385]. (Emphasis added).

Thus, Wrighton and Cushman started their joint effort prior to the time Mr. Cushman made his model and defendants have produced absolutely no evidence to refute this fact.

The execution of the Oath of the patent application by Messrs. Cushman and Wrighton raises a *prima facie* presumption of joint inventorship and the burden is on the person attacking it to show otherwise by clear strong and convincing evidence. *Cummings v. Moore*, 202 F. 2d 145, 148 (10th Cir. 1953).

The only evidence defendants assert in support of their position is Exhibits AI and AJ and the testimony of Mr. Wrighton and Mr. Gabriel which defend-

ants contend proves that all the requirements of the *claims* in the '234 patent are in the Cushman model. Even assuming defendants are right in this contention it would not prevent Wrighton and Cushman from being joint inventors because the joint effort started before the date the model was completed.

Moreover, defendants' representations are contrary to the testimony of Mr. Gabriel and Mr. Wrighton.

The true facts are that Mr. Wrighton testified that the Cushman model was merely a breadboard model made to demonstrate the inertia principle of the device [R. Vol. III, p. 337], and was not sold commercially [R. Vol. III, p. 384]. In fact, the testimony of both Mr. Wrighton and Mr. Gabriel show that the Cushman model [Ex. 64] is not a complete safety apparatus model because it does not have a resilient means to rewind the reel (a rewind spring) [Wrighton—R. Vol. III, p. 396; Gabriel—R. Vol. III, p. 1276] and only has a small leather thong on the reel as opposed to a cable adapted to be coupled to a person's body [Wrighton—R. Vol. III, p. 395; Gabriel—R. Vol. III, p. 1275].

Defendants attempt to equate the thong to a cable adapted to be coupled to a body [R. Vol. III, p. 1275] and argue that a rewind spring should be included to make the Cushman model operable [R. Vol. III, p. 397]. However, the fact remains the claims require a cable adapted to be coupled to a person's body and a resilient means (or rewind spring) to rewind the reel. These elements are missing from the Cushman model. Thus the Cushman model could not amount to a reduction to practice as would anticipate the joint contribution. *Stearns v. Tinker & Rasor*, 220 F. 2d 49 (9th Cir. 1955), the reason being all of the elements of the claims are not present. *S. W. Farber, Inc. v. Texas Instruments Inc.*, 211 F. Supp. 686, 692 (D. Del., 1962);

Akers v. Papst, 113 F. 2d 136, 139 (C.C.P.A. 1940). Defendants have not met their burden of proving lack of joint invention on the part of Wrighton and Cushman because misjoinder does not exist.

The defense of misjoinder of inventors is a highly technical one and looked on with disfavor by the courts. *Kendall Company v. Tetley Tea Co. Inc.*, 189 F. 2d 558 (1st Cir., 1951). 35 U.S.C. 256 was enacted in 1952 to alleviate the hardship of this disfavored defense and expressly permits correction of inventors under the facts of this case but the District Court did not find it necessary to do so. Plaintiff's Reply Memorandum, beginning at pages 27 and 29, discusses this subject in detail [R. Vol. II, p. 852, 854]. There is absolutely no substance in fact or in law to defendants' assertions.

Conclusion.

It is submitted that plaintiff's man-sensitive safety apparatus is an important contribution to science and to the welfare of man and satisfies the constitutional standard of invention. It is a radical departure from what those skilled in the relevant art had done in the past.

Virtually all of the industry has adopted this apparatus. Virtually all of the industry has recognized plaintiff's proprietary rights, with the exception of defendants.

Defendants purchased some of plaintiff's devices and copied the essential features thereof into a product of their own after plaintiff's devices had been widely accepted.

Defendants were given prompt notice of plaintiff's proprietary rights. However, defendants refused to respect these rights and deliberately and wilfully attempt to destroy these rights and to destroy plaintiff's world-wide patent and license position.

The defenses asserted by defendants are a sham and are not made in good faith. They produced two witnesses that were recently employed by their counsel in California who had no direct knowledge of the facts but only that which defendants' counsel provided to them.

The defense of non-infringement because defendants' devices have a different mode of operation is *directly contrary* to numerous statements made by defendants to the trade and to the Patent Office prior to this action.

The defense of invalidity because of the ancient trolley catcher patents is *directly contra* to defendants' position before the Patent Office concerning the pertinency of these patents. These ancient patents are in a remote non-analogous art and are not even pertinent prior art.

The numerous other defenses asserted by defendants' witnesses are not well founded in fact or law.

There is no reason to depart from the traditional rule that the findings of fact of the trial judge should not be disturbed unless clearly erroneous, particularly here where defendants have used as witnesses two men who are not skilled in the art and who had no direct knowledge of the facts.

It is submitted that the decision of the Trial Court should be affirmed.

Respectfully submitted,

C. RUSSELL HALE,
D. BRUCE PROUT, of
CHRISTIE, PARKER & HALE,
Attorneys for Appellee.

Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

D. BRUCE PROUT





PACIFIC SCIENTIFIC COMPANY SALES OF

MAN SENSITIVE SAFETY REELS
(MODELS HR30, 0101, 0106, 0107, 0108,
0103114, 0103144, 0103162, 0103136)

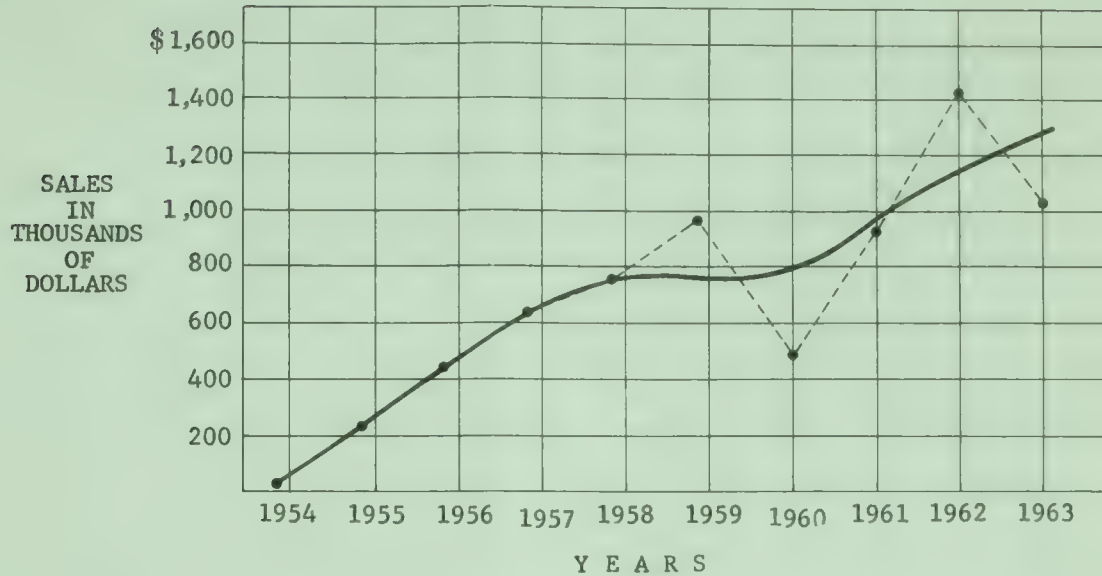
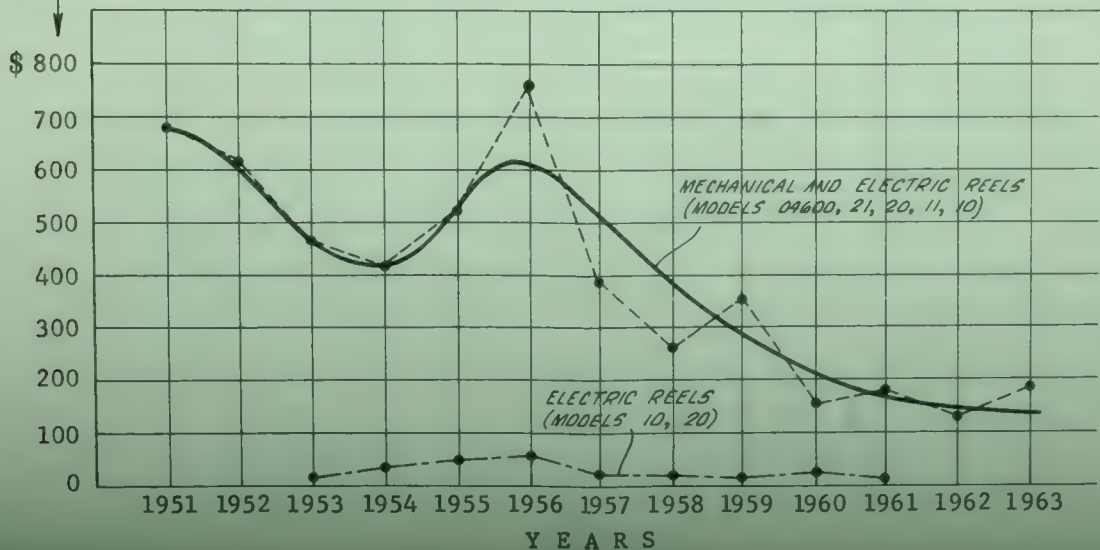
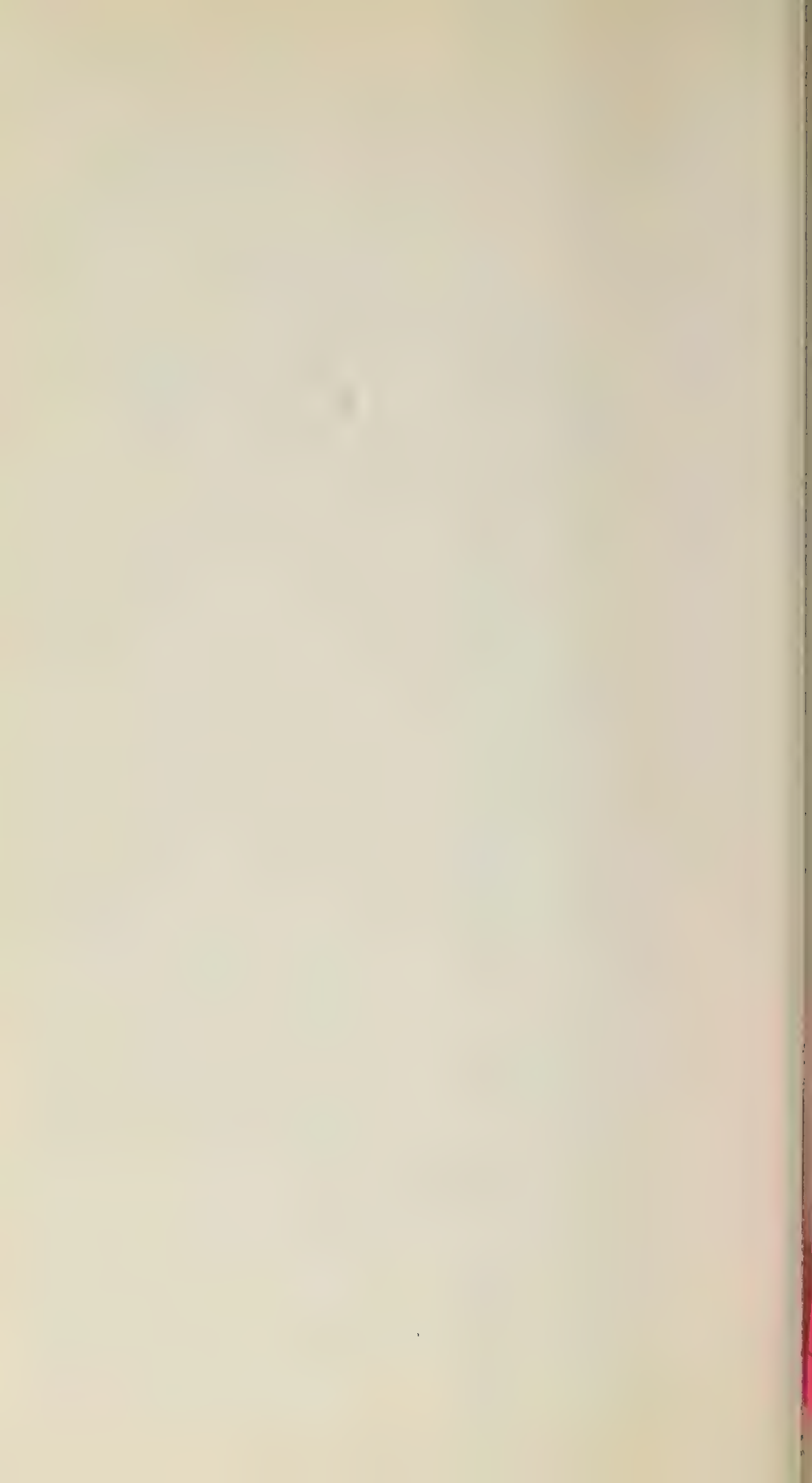


Exhibit 62

SALES IN THOUSANDS OF DOLLARS

AMERICAN SEATING COMPANY SALES OF VEHICLE SENSITIVE SAFETY REELS





1954
FIRST SOLD

1955
FIRST SOLD

1958
FIRST SOLD

Plaintiff's Model HR30
(Patent '234 device)



Exhibit 7

1957
Model 0101—Commercial Version
Shown to Defendants
V.P. Mr. Lautier

Plaintiff's Model 0106
(Next Generation Model)

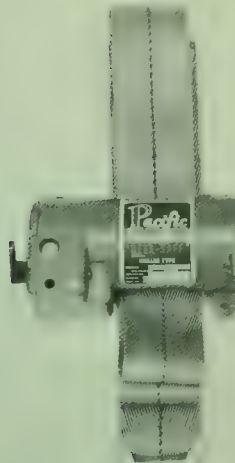


Exhibit 6

Defendants' Single Reel Model

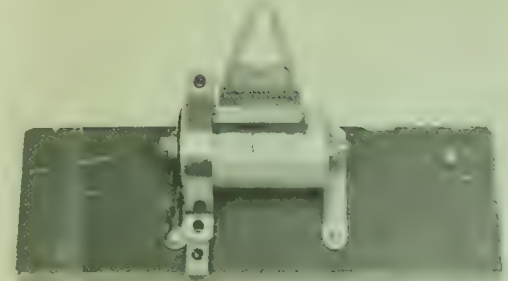


Exhibit 95

Defendants' Double Reel Model

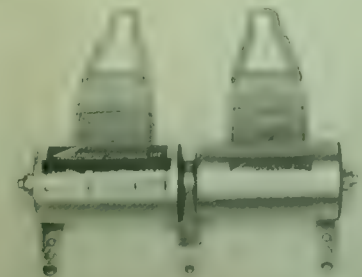
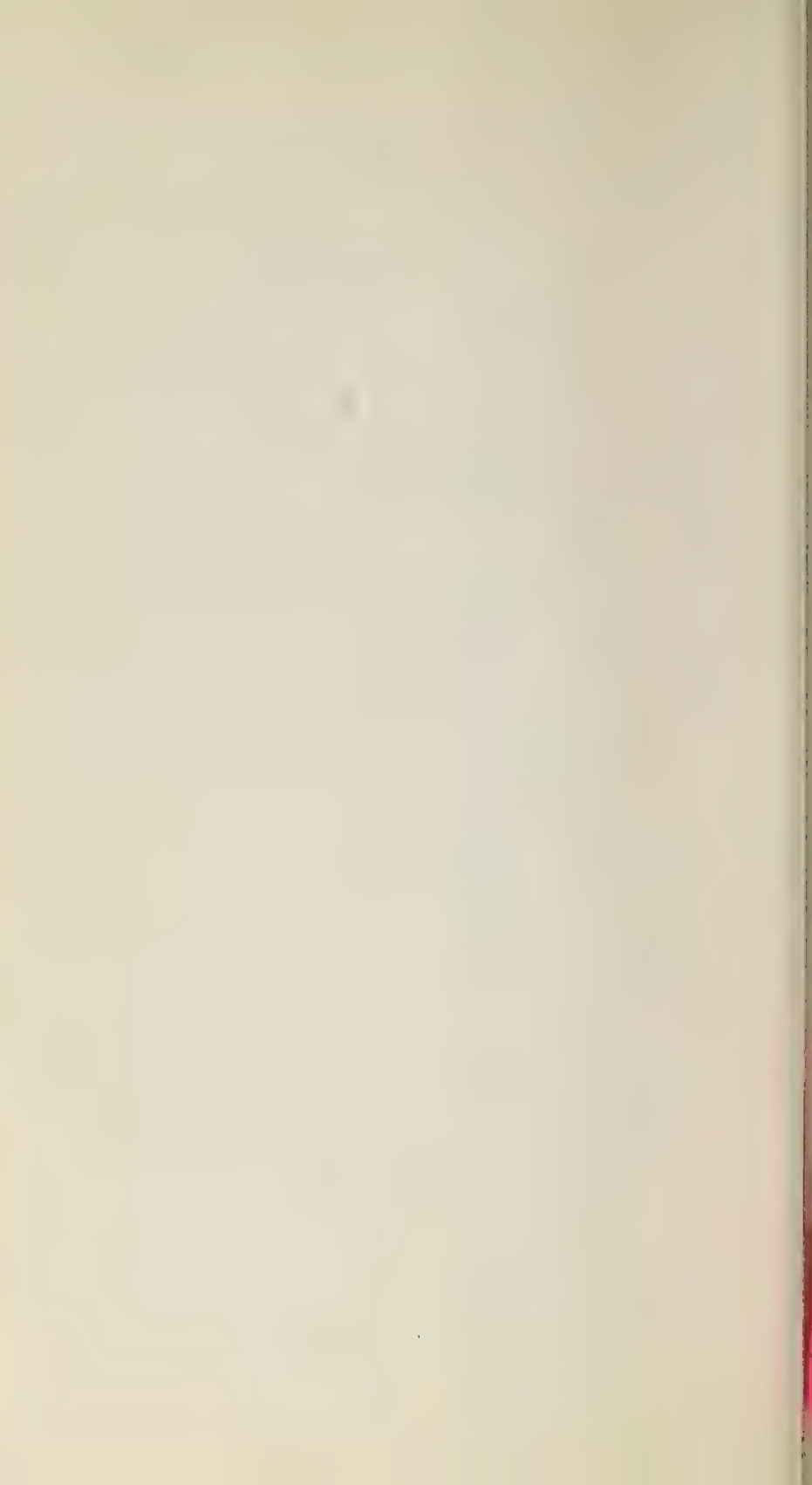


Exhibit 13



MAN SENSITIVE SAFETY REEL
(BASIC PAT. IN SUIT)
FRANKUCH ET AL. PAT NO. 2,845,233

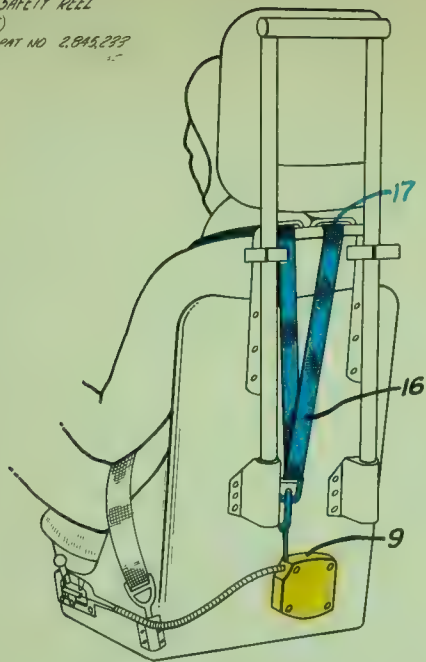


FIG. 1.

Exhibit 70

MAN SENSITIVE SAFETY REEL
(IMPROVEMENT PATENT IN SUIT)
CUSHMAN ET AL. PATENT NO. 2,845,234

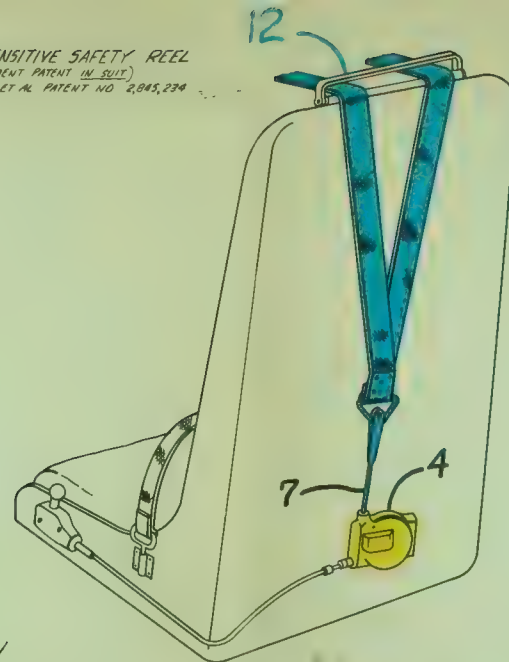


FIG. 1

Exhibit 75

MAN SENSITIVE SAFETY REEL
(BASIC PAT. IN SUIT)
FRANKUCH ET AL. PAT NO. 2,845,233

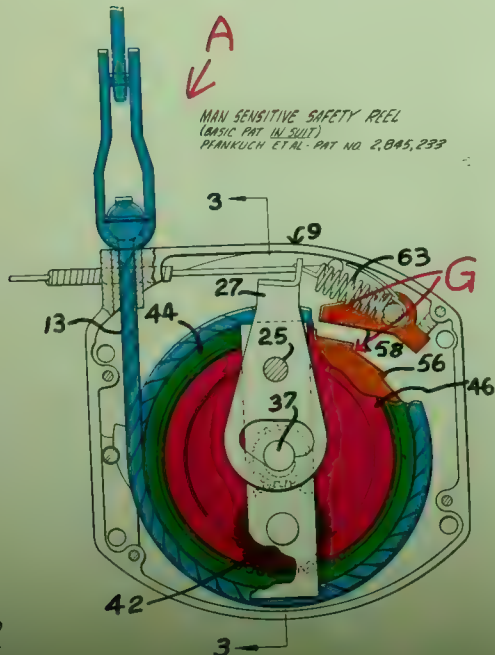


FIG. 2.

Exhibit 72

MAN SENSITIVE SAFETY REEL
(IMPROVEMENT PAT. IN SUIT)
CUSHMAN ET AL. -
PAT NO. 2,845,234

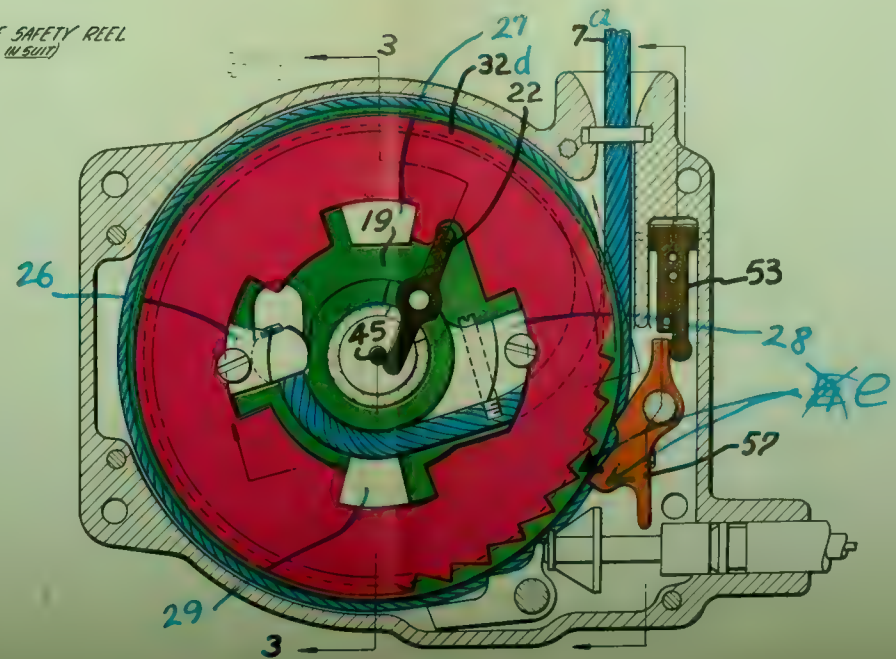
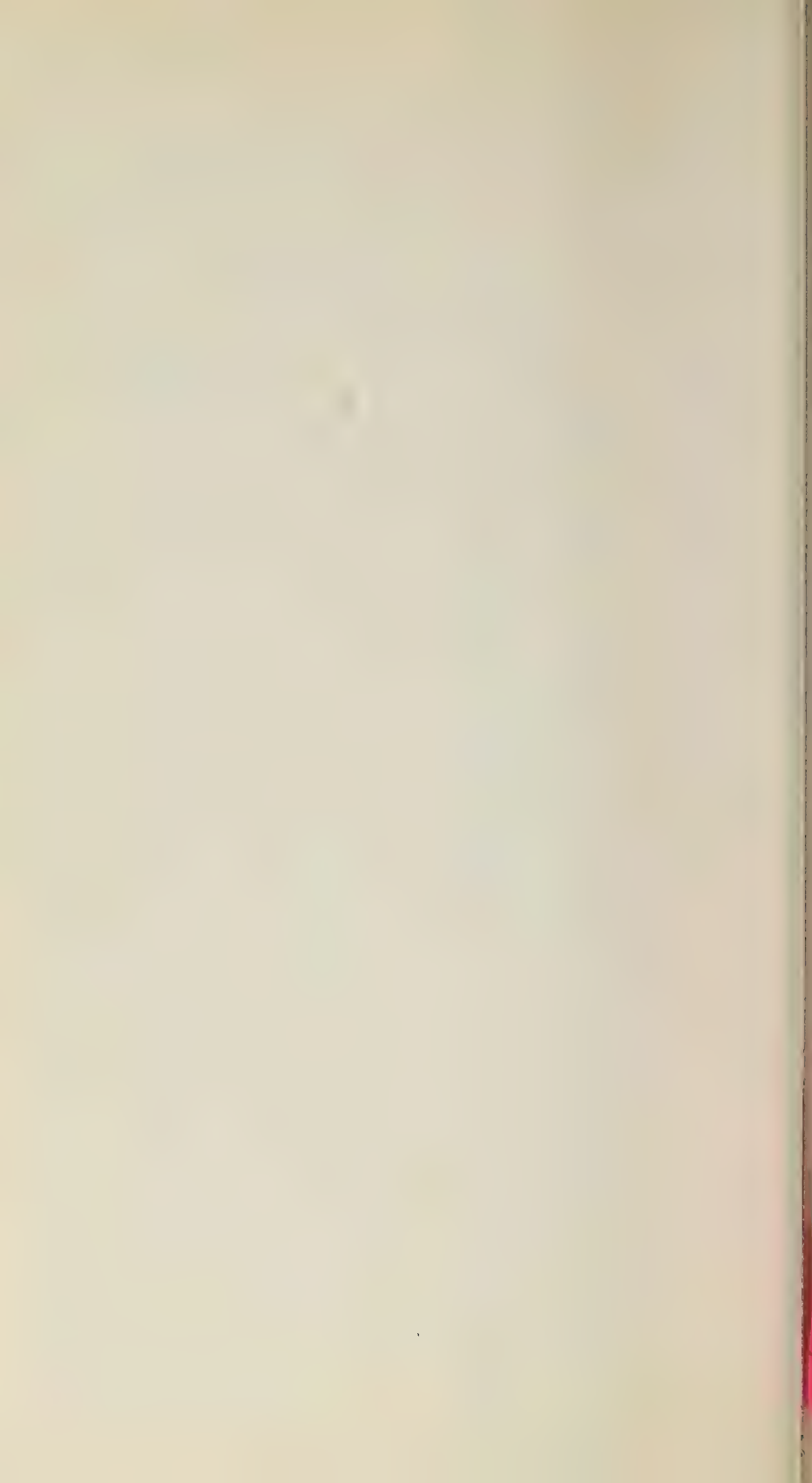


FIG. 2.

Exhibit 76



DEFENDANT'S
MAN SENSITIVE SAFETY REEL
MODELS 94 & 102

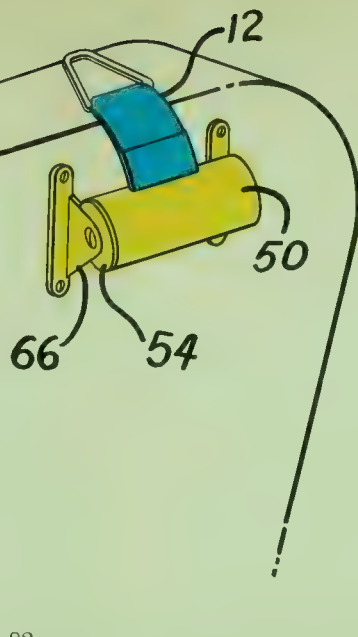


Exhibit 82

DEFENDANT'S
MAN SENSITIVE SAFETY REEL
MODEL 94 & 102

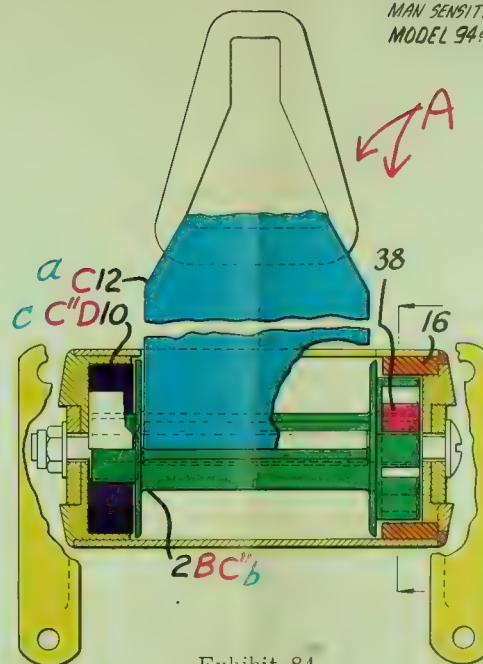


Exhibit 84

DEFENDANT'S
MAN SENSITIVE SAFETY REEL
MODELS 95 & 65

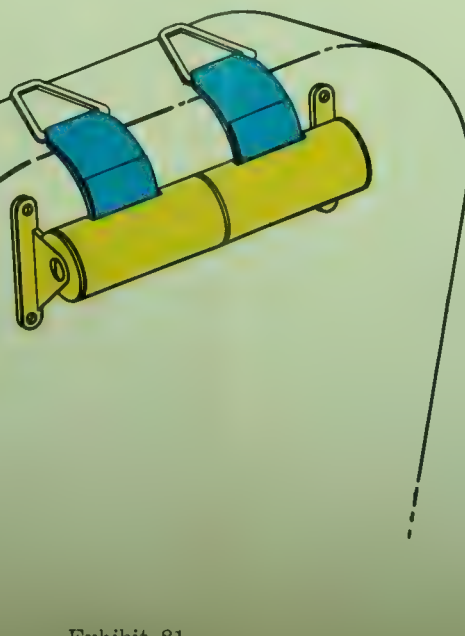


Exhibit 81

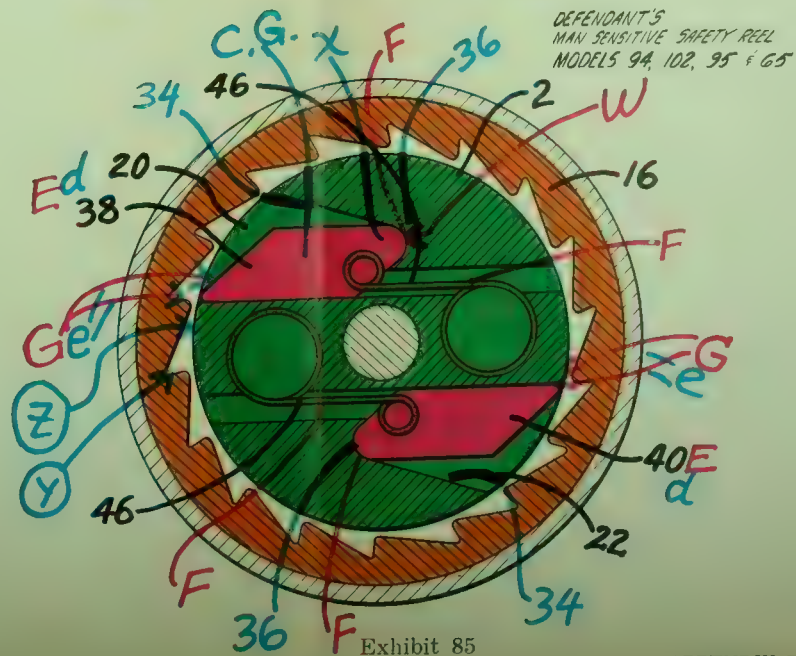
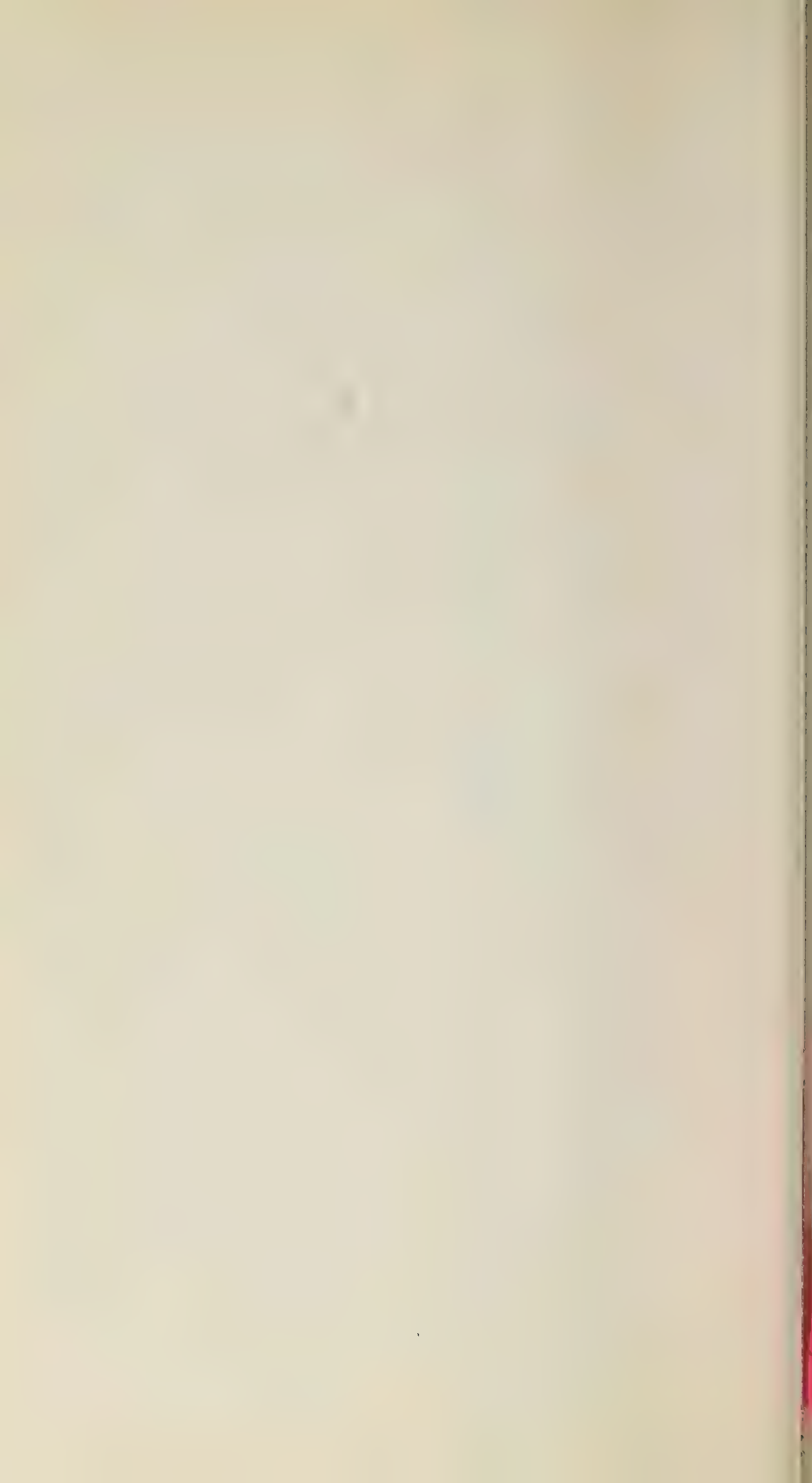


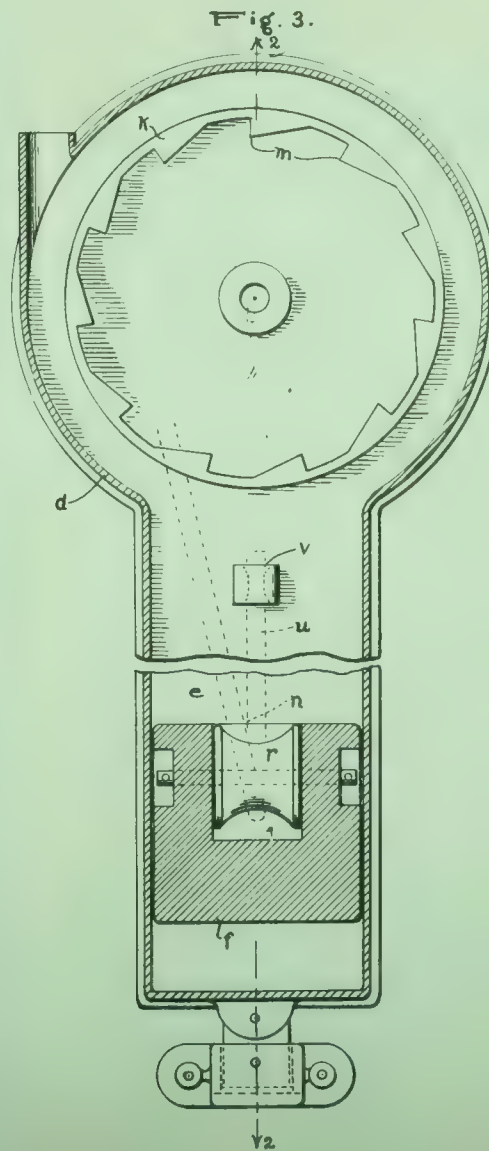
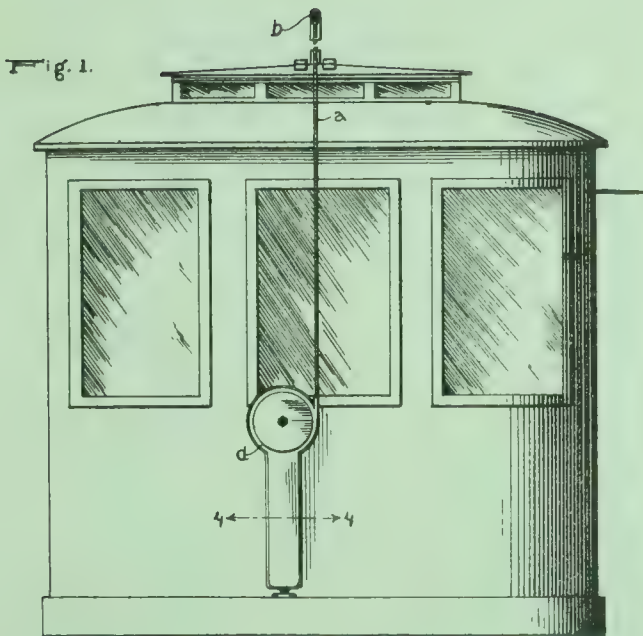
Exhibit 85

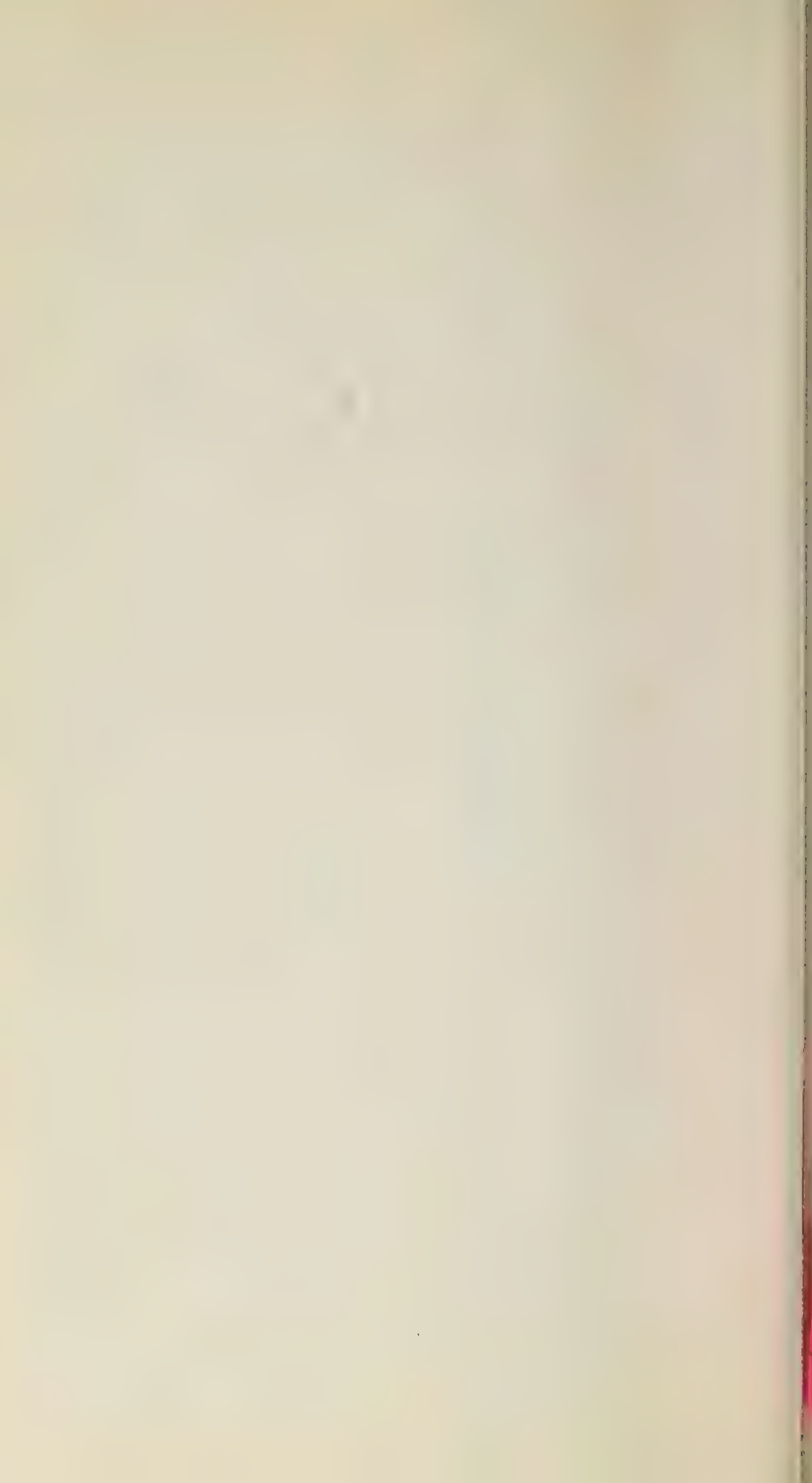


W. C. BURDON

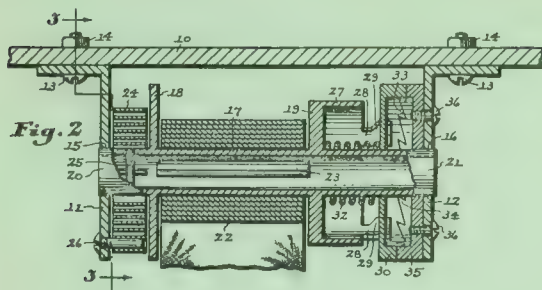
TROLLEY CATCHER

Application Filed Sept. 21, 1906

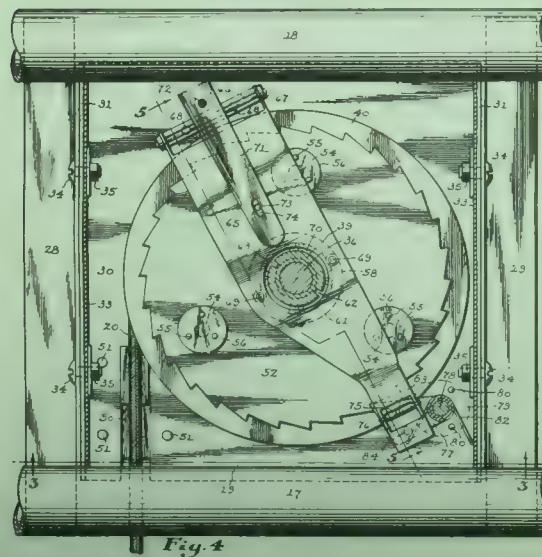




July 15, 1958
A. C. HOVEN ET AL
AUTOMATIC REEL
Filed March 14, 1956



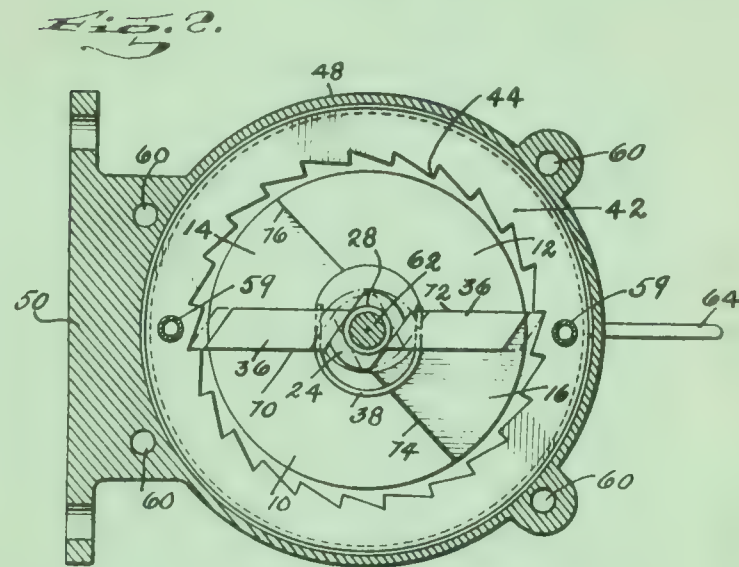
May 12, 1959
C. J. BARECKI
SAFETY EQUIPMENT FOR VEHICLE OCCUPANTS
Filed Sept. 4, 1956



2,845,335

Sept. 20, 1960

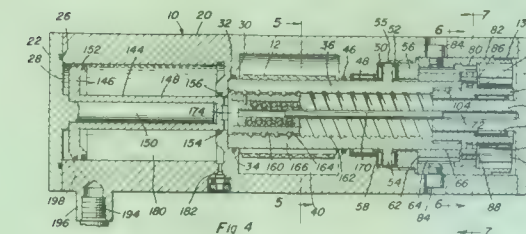
R. A. LAUTIER ET AL
INERTIA REEL
Filed Feb. 1, 1957



2,953,315

Feb. 12, 1963

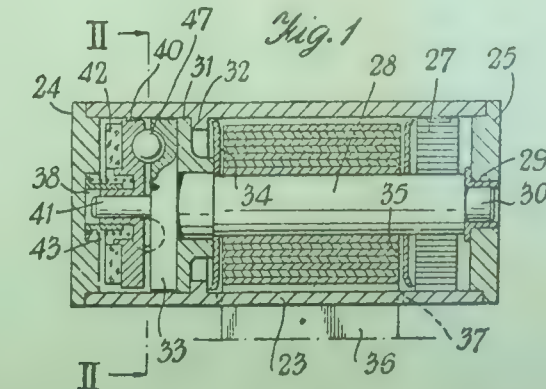
R. M. STRICKLAND, JR.
HARNES INERTIA REEL
Filed Dec. 17, 1958



Oct. 16, 1962

J. S. BENTLEY
SAFETY HARNESS
Filed Feb. 12, 1960

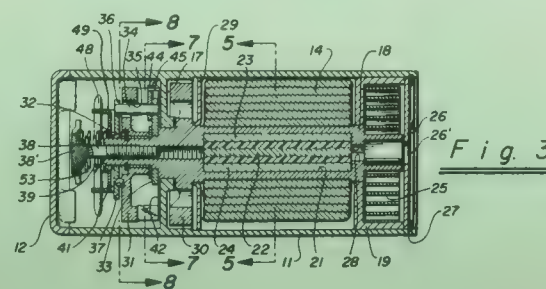
3,058,687

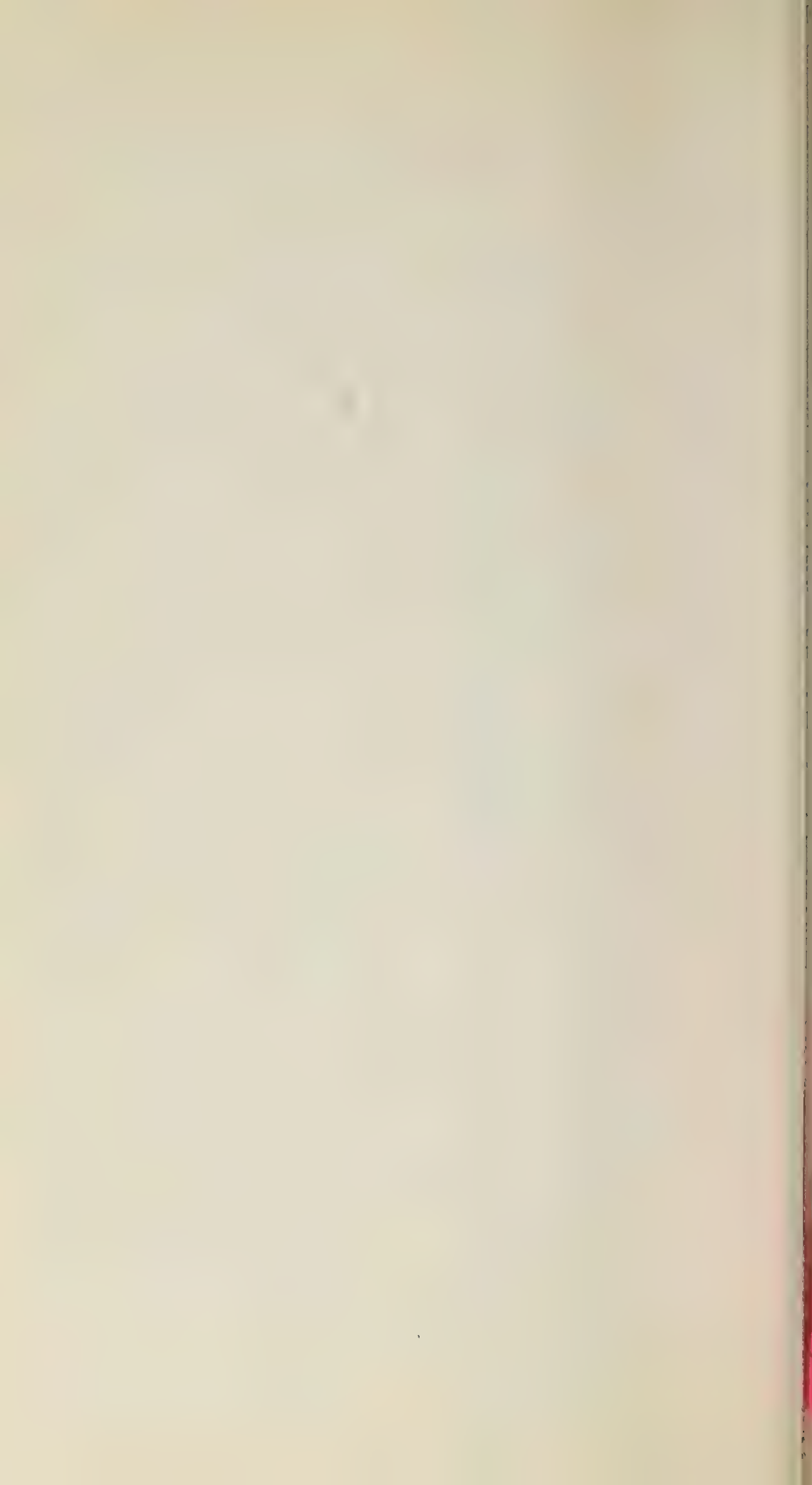


Jan. 23, 1962

C. E. CUSHMAN ET AL
SAFETY HARNESS DEVICE
Filed March 6, 1957

3,018,065





COMPARISON OF ELEMENTS OF BASIC PATENT NO. 2,845,233 WITH

Defendants' Devices, Patent No. 2,845,233 Device, Patent No. 2,845,234 Device and Trolley Catcher Patents (Ham, Ricketts & Burdon)

Basic Patent No. 2,845,233 Claim 7 (Exhibit 102)

safety apparatus for preventing a seat occupant of a vehicle from being thrown off his seat, comprising

an inertia lock device adapted to be mounted on the back of the seat, said device having

a rotatably mounted reel therewithin,

a flexible connector wound on said reel and extending outwardly of said device for passing over the body of the seat occupant,

a yieldable resilient member coupled to said reel and tensioned so as to urge rotation of said reel in the direction to wind up the connector thereon to thereby normally maintain a light tension on said flexible connector while allowing the same to yield,

whereby the seat occupant is permitted freedom of motion,

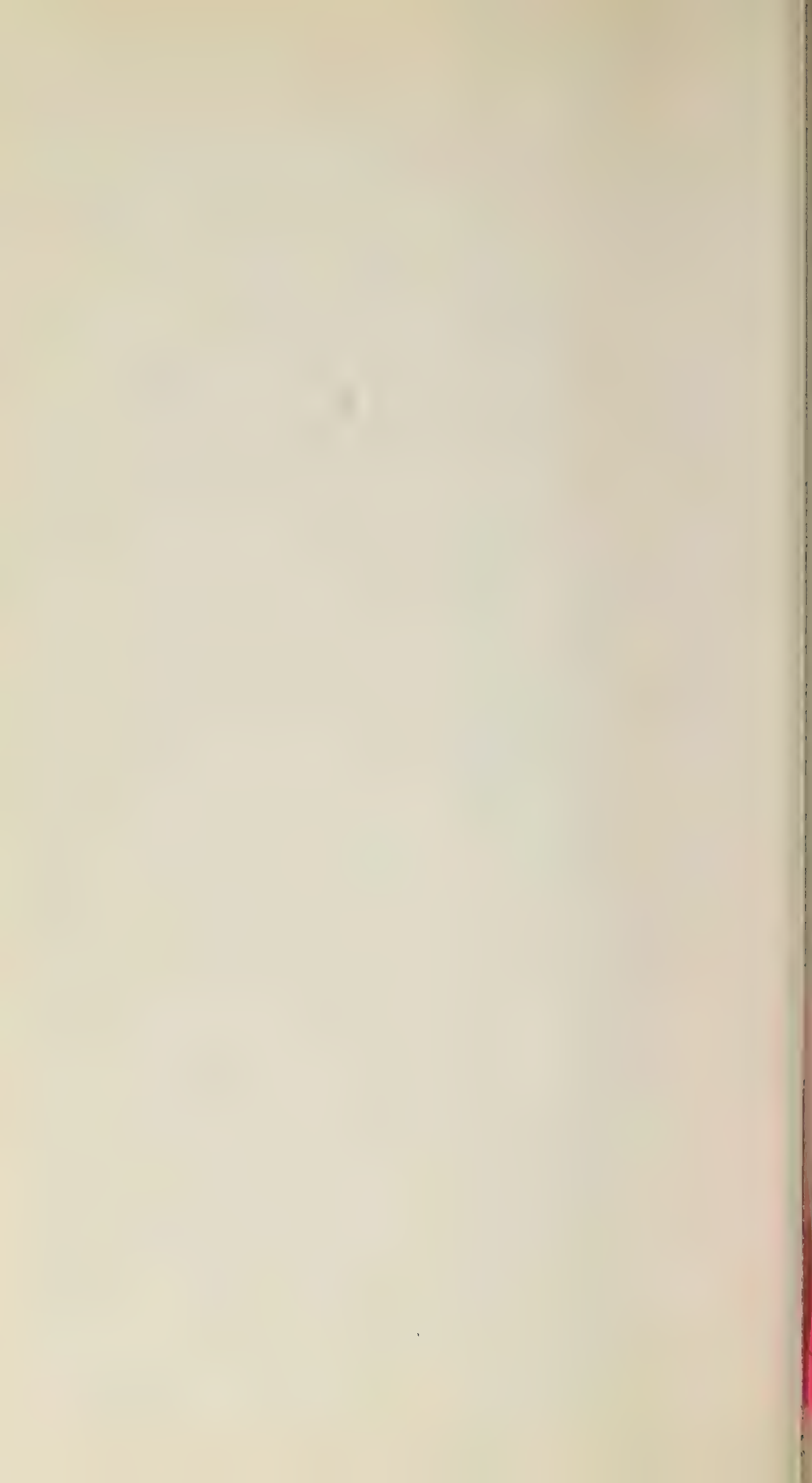
an inertia member turnably movable with respect to said reel,

means for connecting said inertia member with said reel,

locking means within said device for locking said inertia member and reel against turning movement,

movement of said flexible connector outwardly of said device at a rate exceeding a predetermined acceleration, due to a sudden force tending to dislodge the seat occupant, causing said inertia member to resist the turning of said reel and effect the locking of the reel and inertia member by said locking means, thus positively preventing further outward movement of the flexible connector to retain the seat occupant in his seat.

Def's Devices See Plt's Exs. 84 & 85	Patent No. '233 See Plt's Exs. 70, 72 & 73	Patent No. '234 See Plt's Exs. 75, 76 & 77	Ham Patent No. 700,763 See Defs' Ex. L	Ricketts Patent No. 1,393,570 See Defs' Ex. M	Burdon Patent No. 888,418 See Defs' Ex. N
YES	YES	YES	NO	NO	NO
Whole Device	Whole Device	Whole Device	NO	NO	NO
2	44	19	E	9	C
12	13 and 16	7 (including blue straps)	NO	NO	NO
10	51	39	NO	NO	NO
YES	YES	YES	NO	NO	NO
38 (or 40)	46	32	C	35	W
46	42	22 and 55	5	37 and 33	S
38 (or 40), 16 and 34	57 and 58	57 and 32	P and a ²	30 and 3	P and M
YES	YES	YES	NO	NO	NO



COMPARISON OF ELEMENTS OF BASIC PATENT NO. 2,845,233 WITH

Defendants' Devices, Patent No. 2,845,233 Device, Patent No. 2,845,234 Device and Trolley Catcher Patents (Ham, Ricketts & Burdon)

Basic Patent No. 2,845,233 Claim 9 (Exhibit 109)

Vehicle safety apparatus adapted to be used on a moving vehicle, comprising, in combination,

a supporting housing on said vehicle,

a flexible connector extending from said supporting housing and adapted to engage an occupant in the vehicle,

resilient reel means connected to said flexible member and carried within said housing for normally maintaining a light tension on said flexible connector while permitting the same to yield,

whereby the occupant is allowed freedom of motion

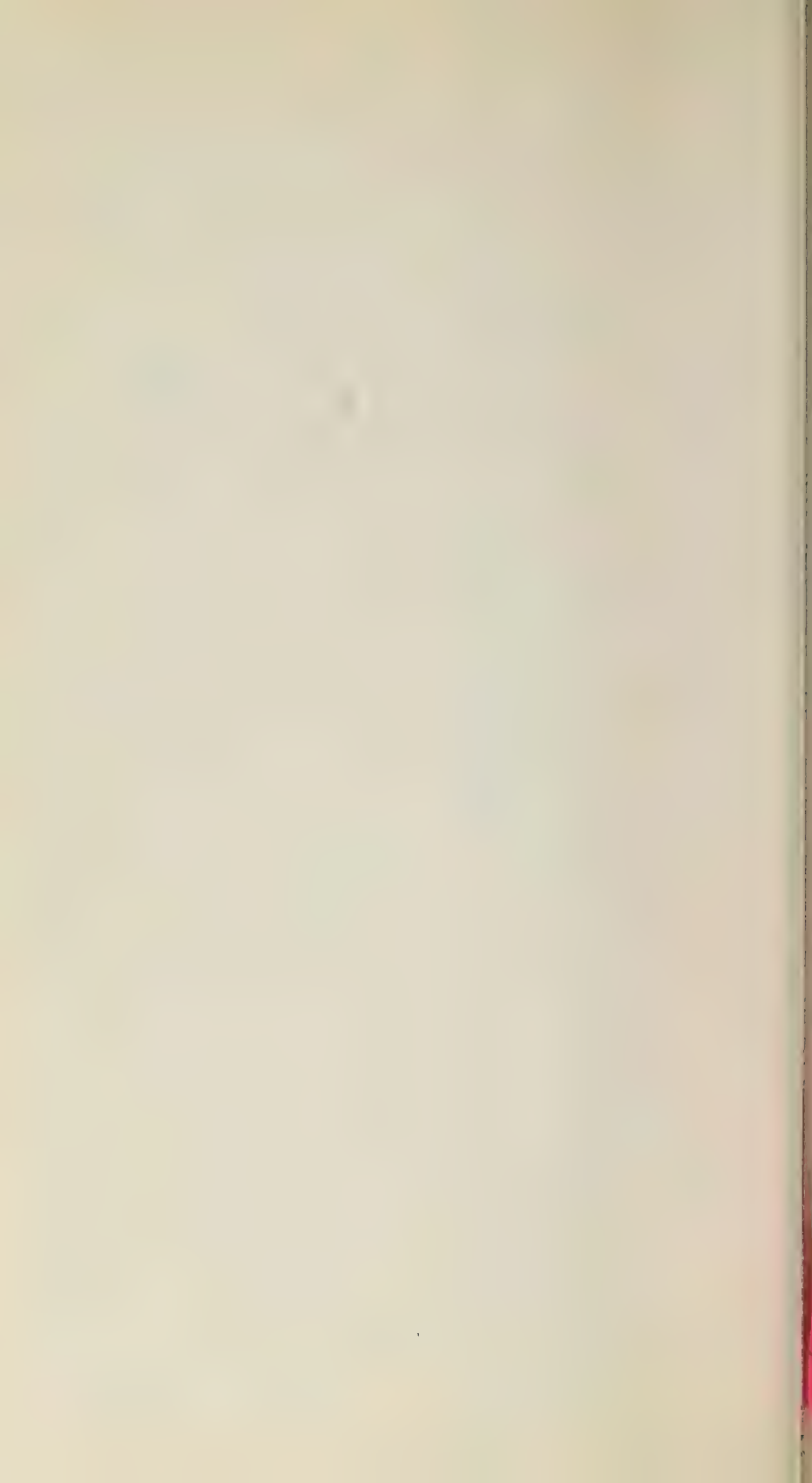
an inertia member within said housing turnably mounted with respect to said reel means,

means for coupling said inertia member to said reel means,

locking means in said housing,

said inertia member being operable by inertia to cause said locking means to lock said flexible connector positively against further movement outwardly with respect to said housing when said flexible connector is pulled outwardly of said housing at a rate exceeding a predetermined acceleration, due to forces tending to dislodge the occupant from his seat, whereby the occupant is prevented from being dislodged.

Def's' Devices See Pltff's Exs. 84 & 85	Patent No. '233 See Pltff's Exs. 70, 72 & 73	Patent No. '234 See Pltff's Exs. 75, 76 & 77	Ham Patent No. 700,763 See Defs' Ex. L	Ricketts Patent No. 1,393,570 See Defs' Ex. M	Burdon Patent No. 888,418 See Defs' Ex. N
YES	YES	YES	YES	YES	YES
Yellow portion	9	4	A	1	d
12	13 and 16	7 (including blue straps)	NO	NO	NO
2 and 10	44 and 51	19 and 39	NO	NO	NO
YES	YES	YES	NO	NO	NO
38 (or 40)	46	32	C	35	W
46	42	22 and 55	S	37 and 33	S
38 (or 40). 16 and 34	57 and 58	57 and 32	P and a ²	30 and 3	P and M
YES	YES	YES	NO	NO	NO



COMPARISON OF ELEMENTS OF IMPROVEMENT PATENT NO. 2,845,234 WITH

Defendants' Devices, Patent No. 2,845,234 Device and Trolley Catcher Patents (Ham, Ricketts & Burdon)

Improvement Patent No. 2,845,234 Claim 1 (Exhibit 110)

safety device for mounting in a vehicle to restrain the movement of a body
thin the vehicle when the body is subjected to relatively high acceleration
ovement relative to the vehicle comprising

Def's Devices
See Pltf's
Exs. 84 & 85

Patent No. '234
See Pltf's
Exs. 75, 76 & 77

Ham Patent
No. 700,763
See Defs' Ex. L

Ricketts Patent
No. 1,393,570
See Defs' Ex. M

Burdon Patent
No. 888,418
See Defs' Ex. N

YES	YES	NO	NO	NO
12	7 (including blue straps)	NO	NO	NO
2	19	E	9	C
10	39	F	25	NO
YES	YES	NO	NO	NO
38 (or 40)	32	C	35	N
YES	YES	YES	YES	YES
YES	YES	NO	NO	NO
38 (or 40), 16 and 34	57 and 32	P and a ²	30 and 3	P and M

a cable adapted to be coupled to the body,

a cable reel rotatably mounted in said device,

resilient means coupled to said reel for rotating said reel in one direc-
tion to wind up said cable,

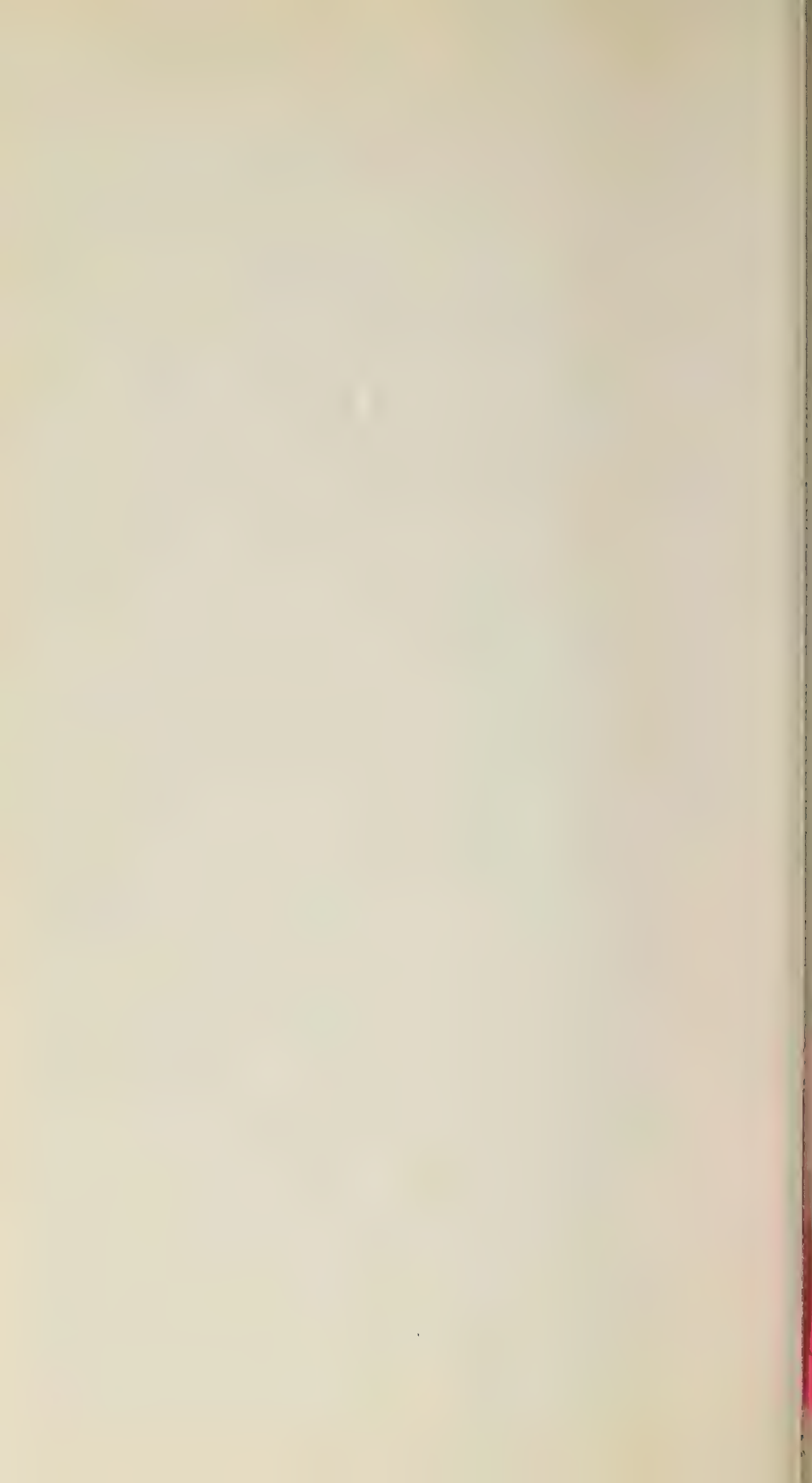
said reel rotating in the other direction to unwind the cable res-
ponsive to forces exerted by a pull on the cable,

an inertia member rotatably mounted in said device,

said inertia member rotating in unison with said reel during rota-
tion thereof in the unwind direction below a predetermined ac-
celeration,

said reel rotating relative to said inertia member during rotation
of said reel at the predetermined acceleration due to an abnormal
acceleration of the cable, and

means operated in response to the relative rotation between the reel
and inertia member for stopping rotation of said reel in the unwind
direction to thereby restrain movement of the body in the vehicle.



COMPARISON OF ELEMENTS OF IMPROVEMENT PATENT NO. 2,845,234 WITH

Defendants' Devices, Patent No. 2,845,234 Device and Trolley Catcher Patents (Ham, Ricketts & Burdon)

Improvement Patent No. 2,845,234 Claim 5 (Exhibit 111)

A safety device for mounting in a vehicle to restrain the movement of a body within the vehicle when the body is subjected to relatively high acceleration movement relative to the vehicle comprising

a cable adapted to be coupled to the body,

a rotatably mounted cable reel having said cable secured thereon,

resilient means coupled to said reel for rotating said cable reel in a direction to wind said cable on said reel,

said reel rotating in the opposite direction to unwind said cable therefrom due to forces exerted by a pull on the cable,

a rotatably mounted inertia member,

means for yieldably coupling said inertia member to said reel to thereby cause said member to rotate with said reel during rotation in said unwind direction below a certain acceleration,

said means yielding during rotation at said certain acceleration to cause said reel to rotate relative to said inertia member, and

means associated with said coupling means operated when said reel rotates relative to said inertia member for stopping rotation of the reel in said unwind direction.

Def's Devices See Plt's Exs. 84 & 85	Patent No. '234 See Plt's Exs. 75, 76 & 77	Ham Patent No. 700,763 See Defs' Ex. L	Ricketts Patent No. 1,393,570 See Defs' Ex. M	Burdon Patent No. 888,418 See Defs' Ex. N
YES	YES	NO	NO	NO
12	7 (including blue straps)	NO	NO	NO
2	19	E	9	C
10	39	F	25	NO
YES	YES	NO	NO	NO
38 (or 40)	32	C	35	W
46	22 and 55	5	37 and 33	S
YES	YES	YES	YES	YES
38 (or 40) 16 and 34	57 and 32	P and a ²	30 and 3	P and M

APPENDIX H.

Findings Alleged to Be in Error by Defendants With Record Pages Supporting the Findings Shown in Brackets.

9. On July 29, 1958, U.S. Letters Patents No. 2,845,233 and 2,845,234 were duly and legally issued to Pacific Scientific Aeroproducts [Exs. 1 and 2—patents in suit Exs. 131, 132—file histories], and plaintiff is now the owner of the Letters Patents by mesne assignments and has the right to bring this action for infringement thereof [R. Vol. III, p. 24].

12. The patented devices are safety apparatus for protecting a man in his seat consisting of an inertia reel adapted to be mounted on the back of a seat and connected to a shoulder strap or harness which is adapted to be coupled to the body of a seat occupant [Claims 7 and 9—basic patent '233 claims 1 and 5—improvement patent '234, R. Vol. III, p. 25].

13. The patented apparatus is intended for use on moving vehicles carrying people, such as aircraft [basic patent '233—Col. 1, lines 15-23, Col. 2, lines 15-50 and claims 7 and 9; improvement patent '234—Col. 1, lines 15-35, claims 1 and 5 and file histories—Ex. 131, p. 22; Ex. 132, p. 41, defendants' publication "The Project Engineer"—Ex. 51]. The patented apparatus gives the occupant of a seat in the vehicle freedom to operate controls and to move about under ordinary conditions. However, in the event of abnormal movement of the seat occupant with respect to the seat, such as would occur in a crash or a violent maneuver of the aircraft, the inertia reel locks and prevents further movement of the strap out of the reel, thus holding the occupant securely in his seat [McAllister at R. Vol. III, p. 25, Mr. Glauser at R. Vol. III, p. 742; patents in suit, Exs. 1, 2].

14. Prior to the development of plaintiff's safety apparatus, the sole American manufacturer of such apparatus was American Seating Company [R. Vol. III, pp. 203, 204]. Its devices responded to deceleration of the aircraft and hence were vehicle-sensitive and the response was unidirectional [vehicle-sensitive—R. Vol. III, pp. 30-31, 209-210, unidirectional—R. Vol. III, pp. 30-31, 204, 207]. The patented apparatus responds to abnormal movement or acceleration of the occupant of a seat with respect to the seat and hence is man-sensitive [Exs. 1 and 2; R. Vol. III, pp. 30-31, 100, 115, 206, 209, 290, 253] and the response is multidirectional [Ex. 1, pp. 38-42; R. Vol. III, p. 219].

15. Prior to the development of plaintiff's man-sensitive safety apparatus, the lives of Air Force pilots were being lost because of the deficiencies of the prior art vehicle-sensitive apparatus [R. Vol. III, pp. 271-273].

16. Plaintiff's man-sensitive safety apparatus overcame the deficiencies of the prior art vehicle-sensitive safety apparatus and represents a substantial contribution to science [R. Vol. III, pp. 219, 249, 253; Henrikson testified it represents "a significant stride forward in the art" R. Vol. III, p. 218].

19. Defendant AEROTEC INDUSTRIES, INC. placed an order with plaintiff for a large quantity of plaintiff's Model HR30 man-sensitive safety apparatus, but the order was apparently cancelled [R. Vol. III, p. 131], and subsequently defendant placed on the market man-sensitive safety apparatus of its own manufacture [R. Vol. III, pp. 86, 82-83].

20. In the Spring of 1958, plaintiff lost a contract to Douglas Aircraft Company for its man-sensitive safety apparatus and defendants obtained the contract and supplied man-sensitive safety apparatus which they man-

ufactured for Douglas DC-8 aircraft [Defendants' Publication Ex. 51, p. 2 (see caption under picture), R. Vol. III, pp. 86, 92, 93].

21. Defendants have continued to sell man-sensitive safety apparatus up to the date of the trial, and defendants threaten to continue this activity [R. Vol. III, pp. 90, 93; Ex. 127, Answer to Interrogatory No. 36].

22. Defendants models 65A, 94, 95 and 102 are man-sensitive safety apparatus, and they are exemplified by Exhibits 13, 81, 82, 83, 84, 85, 86 and 95 [Ex. 66; Ex. 95—defendants' Model 95 has locking mechanism identical to engineering drawings Exs. 54, 55, 56 and 57—R. Vol. III, p. 579 and the enlarged drawings of Exs. 84, 85 and 86; R. Vol. III, p. 588; the locking mechanisms of Ex. 54—assembly drawing for Model 94, Ex. 55—assembly drawing for Model 102, Ex. 57—assembly drawing for Model 65, are all locking mechanisms essentially identical to Ex. 89 on which Mr. Luttrell made his analysis and which is one half of the double reel shown in Ex. 13 (Model 65A)—R. Vol. III, pp. 436-439; Ex. 81 is a pictorial drawing depicting defendants' double reel Models 95 and 65 fastened at the top of a seat and Ex. 82 is a pictorial drawing depicting defendants' single reel models 94 and 102 fastened at the top of a seat—R. Vol. III, pp. 583-584].

26. Defendants' Models 65A, 94, 95 and 102 safety apparatus contain all of the structural elements of each of the aforesaid claims in the same functional relationship that is specified by each of the claims ['233 patent—R. Vol. III, pp. 588, 691-697, 698; '234 patent—R. Vol. III, pp. 703, 707-712, 713-714].

27. Defendants urged and their witnesses testified that their safety apparatus has a different mode of

operation in that their apparatus responds solely to velocity, and not to acceleration of the seat occupant, as required by the patented apparatus [R. Vol. I, p. 435—DEFENDANTS' MEMORANDUM PRIOR TO TRIAL PURSUANT TO LOCAL RULE 12, pp. 438-440]. However, defendants' own patent No. 2,982,492 [Ex. 66] which is directed to specific details of their safety apparatus, describes defendants' apparatus as being responsive to acceleration, and it does not describe it as responding to velocity at all. Defendants' application for this patent was filed on October 30, 1958, and the patent issued on May 2, 1961 [Ex. 66], all before the present action was instituted on January 21, 1963.

33. Force caused by acceleration of a seat occupant with respect to his seat is the primary force causing defendants' safety apparatus to lock and therefore defendants' devices are acceleration responsive within the meaning of the patents in suit [R. Vol. III, pp. 165, 586, 635, 1004, 1707].

34. Defendants' Models 65A, 94, 95 and 102 safety apparatus accomplish substantially the same result in substantially the same way as the devices of the patents in suit [R. Vol. III, pp. 165, 586, 635, 1004, 1707; Exs. 66, 100, 48-53].

35. The structural details of defendants' apparatus which are different from the structures shown in plaintiff's patent drawings are features which are not specified one way or another in the claims in suit which define the scope of the invention and hence such difference in details does not negate infringement. Examples of such structural details are the manual lock shown for embodiments of plaintiff's patent drawings but not employed in defendants' devices, and the reversal of the teeth and the pawls in plaintiff's and de-

endants' devices [Claims 7 and 9 of Ex. 1; Claims 1 and 5 of Ex. 2].

36. The inventions of the patents in suit are basic with respect to man-sensitive safety apparatus which is acceleration responsive. [Prior to the man-sensitive safety apparatus of Exs. 1 and 2, only vehicle-sensitive types existed; R. Vol. III, p. 32].

37. The inventions of the patents in suit are of sufficient scope to cover the elimination of many of the detailed elements shown in the patent drawings and to cover rearrangement of the elements [Claims 7 and 9 of Ex. 1; claims 1 and 5 of Ex. 2].

38. The file histories of plaintiff's patents do not require as an element or feature of any of the claims in suit that the inertia element for the safety apparatus be separate from the locking means for the drum [File histories—Ex. 131, p. 36; Ex. 132]. Both the patented apparatus and defendants' apparatus employ inertia elements which are separate from the drum or reel [Exs. 1, 2, 66 (Col. 4), 72, 76, 85]. The proceedings in the Patent Office do not limit the scope of the claims in suit with respect to covering defendants' products [Ex. 131 (p. 36), Ex. 132].

40. The claims of plaintiff's patents are sufficiently set forth; they particularly point out and distinctly claim the subject matter of the inventions; and they adequately describe the patented devices [Mr. Glauser found each element of the claims in the respective patent devices, R. Vol. III, pp. 685-690, 700-701, 703-707, 713; Exs. 1 and 2].

41. The patented inventions were not known to others before the invention by the inventors of the patents in suit nor in public use for more than one year prior to the filing of the applications for the patents in suit [Oaths for patents in suit, Ex. 131, p. 16 and

Ex. 132, p. 15, prior to inventions only vehicle-sensitive devices existed, R. Vol. III, p. 32].

42. The inventors of the basic patent No. 2,845,233 were the first to conceive the technique of sensing the movement of a man with respect to his seat to cause him to be locked in his seat when abnormal acceleration is sensed, and the inventors were the first to follow up this concept with a model embodying the technique [Ex. 131—oath on p. 16 and Ex. 132—oath on p. 15].

43. The named inventors of the improvement patent No. 2,845,234, Messrs. Wrighton and Cushman, jointly contributed to the invention of the improvement patent [R. Vol. III, p. 385]. They jointly executed the patent application which in itself is *prima facie* evidence that it was a joint invention, and the burden of proving to the contrary has not been met by defendants [Ex. 132—oath on p. 15].

44. The named inventors of the patents in suit are the true inventors [Ex. 132—oath on p. 15; R. Vol. III, p. 385].

48. The prior patents showing trolley-catching devices are not as closely related to plaintiff's inventions as the prior patents considered by the Patent Office [Ex. D—Ham, Burdon and Ricketts trolley catcher patents, Geohegan, Nordmark '119, and Nordmark '693 vehicle-sensitive safety apparatus, and Sharpe cow-kicker patent].

49. The prior patents showing trolley-catching devices are heavy, bulky devices mounted outside a street-car for catching the trolley pole in the air in the event it disengages from the trolley wire and is moved vertically by a spring [R. Vol. III, p. 1732; Ex. D—Ham, Burdon and Ricketts] and thus the trolley-catching devices are for a markedly different purpose than keeping

a man in his seat in the event he is accelerated in any direction with respect to the seat. The trolley catching devices are not man-sensitive safety devices at all [R. Vol. III, pp. 1735, 1732].

50. Trolley catching devices are not multidirectional devices whereas the patented man-sensitive safety apparatus senses the movement of a man in any direction with respect to his seat and locks the man in his seat in the event of abnormal movement in any direction [Ex. D—Ham, Burdon and Ricketts; Exs. 1 and 2; R. Vol. III, p. 219].

51. Substantial redesign and reconstruction would be necessary to adapt a trolley catcher to serve as a man-sensitive safety apparatus, assuming that it could be done at all [R. Vol. III, pp. 1732-1733].

52. Although the prior patents showing trolley-catching devices issued around the turn of the century, such patents or devices were not considered by the inventors of the patents in suit [R. Vol. III, pp. 289, 351] nor by skilled engineers designing man-sensitive apparatus for plaintiff [R. Vol. III, pp. 448-449, 1735-1736], defendants and American Seating Company [R. Vol. III, p. 222] when man-sensitive safety apparatus was being first developed by these companies.

53. Before the inventions in suit only vehicle-sensitive safety apparatus was known for protecting a man in his seat in a moving vehicle while permitting the man to carry out his normal movements and it was not known that abnormal movement of the man could be sensed to cause the man to be locked in his seat as soon as the abnormal movement starts [R. Vol. III, pp. 32, 1728-1730]. At the time the inventions in suit were made, it would not have been obvious to one skilled in the art of safety apparatus for protecting a man in his seat that abnormal movement of a man

could be sensed to cause the man to be locked in his seat at the very outset of the abnormal movement [Air Force personnel who were used to vehicle-sensitive devices at first tried to trick plaintiff's device, R. Vol. III, p. 278; it was a new concept to sell to the trade (Air Force); R. Vol. III, p. 319; American Seating Company worked on vehicle-sensitive devices to try and eliminate deficiencies of prior art and it took plaintiff's man-sensitive devices to prompt development on man-sensitive devices [R. Vol. III, p. 211].

55. Defendants presented no testimony or evidence to explain their contradictory positions concerning the trolley-catcher patents. Prior to this action, defendants took the position that the trolley-catcher patents are not pertinent with reference to the patentability of man-sensitive safety apparatus [defendants did not call attention of Patent Office to trolley catchers of Ham, Burdon and Ricketts, Ex. D, in connection with defendants' patent (Ex. 66)—see file history Ex. 100 and R. Vol. III, p. 752 even though defendants' patent Ex. 66 issued in May 1961 and defendants knew about the Ham, Burdon and Rickett's patents prior thereto in September 1960—Answer to Interrogatory No. 27 of Ex. 124 and R. Vol. III, p. 109; defendants admit that Ex. 66 discloses their commercial devices—R. Vol. III, p. 1102, Ex. 127—Answer to Interrogatory No. 41; and defendants' vice president told plaintiff he considered the trolley catchers to more closely resemble defendants' devices Ex. 133, p. 2], yet during the trial defendants contended that the trolley-catcher patents are pertinent.

56. The purpose of plaintiff's and defendants' man-sensitive safety apparatus is markedly different from the purpose of the trolley-catching devices of the prior patents and thus, these patents are non-analogous art

[Purpose of patented devices, R. Vol. III, pp. 25, 1736; Ex. 1, par. 8; Ex. 2, par. 1; purpose of trolley catchers; R. Vol. III, p. 1736].

57. Plaintiff's claims in suit do not read on, and are not anticipated by the trolley-catching devices shown in the prior patents because the claims require in various terms safety apparatus for preventing a seat occupant of a vehicle from being thrown off his seat, an inertia lock device adapted to be mounted on the back of a seat, a flexible connector or cable adapted to be coupled to the seat occupant within the vehicle, and means for sensing the acceleration of the flexible connector caused by forces acting on the seat occupant to retain the seat occupant in his seat in the event of an abnormal movement of the occupant with respect to the seat [Claims 7 and 9 of Ex. 1; claims 1 and 5 of Ex. 2; Ex. D—Ham, Burdon and Ricketts, R. Vol. III, pp. 197-198, 1735-1736]. These elements and features and functional relationships are not disclosed by the trolley catcher patents and thus, plaintiff's claims require elements and features and functional relationships which are not shown by the prior art.

58. The prior art cited by the Patent Office and the additional prior art trolley-catcher patents cited by defendants, taken singly or in combination, does not anticipate the inventions of the patents in suit [Ex. D, R. Vol. III, pp. 30-31, 1735-1736].

59. When plaintiff proposed its man-sensitive safety apparatus to Air Force representatives, they were skeptical and doubted that apparatus which responded to movement of a man with respect to his seat would function satisfactorily [R. Vol. III, p. 276]. This doubt was later dispelled and large numbers of man-sensitive safety apparatus have been purchased by the Air Force [R. Vol. II, pp. 280-281].

60. American Seating Company was the sole manufacturer of vehicle-sensitive safety apparatus at the time plaintiff started marketing its man-sensitive safety apparatus [R. Vol. III, pp. 30, 203]. Plaintiff's sales of man-sensitive safety apparatus have increased markedly from the time it was accepted in the market [Exs. 24, 25, 26, 27, 28], including a period when sales of manned aircraft were severely cut back [R. Vol. III, p. 60, Ex. 26], and at the same time the sales of vehicle-sensitive safety apparatus by American Seating Company declined rapidly [Exs. 62, 217]. The man-sensitive safety apparatus was the primary cause for the decline in sales of vehicle-sensitive safety apparatus [R. Vol. III, p. 217].

61. Highly qualified engineers for the American Seating Company endeavored without success for many years to develop a multi-directional safety apparatus to overcome the shortcomings of the unidirectional response of their vehicle-sensitive apparatus, [R. Vol. III, pp. 205, 208-209; Ex. D, Nordmark '693 filed February 1951], and when they became aware of plaintiff's man-sensitive safety apparatus, they developed a man-sensitive apparatus of their own [R. Vol. III, pp. 210, 211-212] and took a license from plaintiff under the two patents in suit [Ex. 17].

62. The inventions in plaintiff's basic and improvement patents filled a long standing want and demand in the industry [R. Vol. III, pp. 271-272, 219, 253-254].

63. The subject matter of the patents in suit was not obvious to the military services which had a great need for such safety apparatus, because the lives of pilots were being lost [R. Vol. III, pp. 271-272]; it was not obvious to the highly skilled engineers of American Seating Company who were endeavoring to overcome

the shortcomings of their vehicle-sensitive safety apparatus [prompted by need for multi-directional device American Seating Company tried to develop multidirectional vehicle-sensitive devices—R. Vol. III, pp. 205-207, plaintiff's man-sensitive devices prompted American Seating Company to develop its man-sensitive device—R. Vol. III, p. 211]; and the Air Force was skeptical of the man-sensitive concept [R. Vol. III, pp. 276, 280]. The subject matter of the patents in suit was not obvious to one skilled in the art, and the inventions produced surprising results (locking a man in his seat in a small fraction of a second due to abnormal acceleration of the man in any direction by sensing the acceleration of the man with respect to his seat) [R. Vol. III, p. 1729] using a technique which the Air Force did not think would work satisfactorily [R. Vol. III, pp. 276, 280].

64. Plaintiff's claims in suit specify structural elements and functional relationships which are new and which produce a new and useful result. Saving lives of pilots and the like by sensing movement of the pilot in any direction with respect to his seat [Ex. 1, par. 10; R. Vol. III, p. 219] and securing him in his seat with his safety harness in the event of abnormal movement of the pilot, in a small fraction of a second after the abnormal movement starts, yet permitting normal movements of the pilot [R. Vol. III, pp. 741-742], provides a substantial contribution to the art, and the patented inventions promote the progress of science and the useful arts [Mr. Henrikson of American Seating Company stated it represents a "step forward" over the earlier devices—R. Vol. III, p. 219].

65. Plaintiff has obtained issuance of foreign patents corresponding to the basic patent No. 2,845,233 in Great Britain [Ex. 33], France [Ex. 34], Canada

[Ex. 36] and Japan [Ex. 35], and corresponding to the improvement patent no. 2,845,234 in Great Britain [Ex. 37], France [Ex. 38], Canada [Ex. 41], West Germany [Ex. 39], and Japan [Ex. 40]. Plaintiff has licensees in the United States under the United States patents [Exs. 17, 18] and licensees under the foreign counterparts of these patents in France [Exs. 22, 23], England [Exs. 19, 20], and Japan [Ex. 21]. Substantial royalties have been paid to plaintiff under the licenses [R. Vol. III, pp. 39-40, 45].

66. Plaintiff is actively engaged in the manufacture and sale of man-sensitive safety apparatus and is the major supplier of this apparatus in the United States [Ex. 24 shows plaintiff's total sales of man-sensitive devices and Ex. 26 shows total world-wide sales by all companies of these devices, the difference shows plaintiff as the major supplier].

67. About ninety percent of the total world market for safety apparatus for protecting a man in his seat is now filled by the man-sensitive type safety apparatus, and the man-sensitive type has largely supplanted the prior art vehicle-sensitive type [R. Vol. III, pp. 68, 229].

68. The patented inventions in a suit received wide acceptance in the military services and the commercial aircraft industry, and the inventions have achieved a high degree of commercial success in the United States and in foreign countries [R. Vol. III, pp. 68-69, 62-64; Exs. 24, 25, 26].

69. Plaintiff has received world-wide recognition of its contribution in its basic and improvement patents [R. Vol. III, pp. 68-69, 62-64; Exs. 24, 25, 26, 29, 30, 31, 33, 34, 35, 36, 37, 38, 39, 40, 41].

70. It was plaintiff's man-sensitive safety apparatus which prompted defendants to start marketing man-

sensitive safety apparatus and not the trolley-catcher patents which defendants discovered after they had already started marketing the apparatus [Defendants became aware of plaintiff's man-sensitive devices in 1954 when they were shipped four of the devices—R. Vol. III, pp. 90-91; defendants did not become aware of the trolley catcher patents until September 1960—answer to Interrogatory No. 27 of Ex. 124 and R. Vol. III, p. 1091].

71. Defendants employed the essential features of the man-sensitive safety apparatus of plaintiff's inventions [elements of claims in suit contained in defendants' devices—claims 7 and 9 of '233 patent—R. Vol. III, pp. 691-697, 698; claims 1 and 5 of '234 patent—R. Vol. III, pp. 707-714; '233 and '234 patent devices and defendants' devices have same mode of operation—R. Vol. III, pp. 741-742, 165, 485-486, 635, 627, 1004, 1707-1708]; and wilfully and deliberately infringed plaintiff's patent rights without justification [Plaintiff gave notice of its patent rights to Mr. Lautier, defendants' vice president before its patents issued and at the time they issued—Exs. 42, 43, 44, 45, 46 and R. Vol. III, pp. 87-89; defendants refused to respect plaintiff's patent rights—R. Vol. III, p. 90; defendants started selling their devices in 1958 and continued to do so—R. Vol. III, pp. 90, 93, Ex. 127—answers to Interrogatory Nos. 35 and 36].

72. Claims 7 and 9 of plaintiff's patent No. 2,845,233 and claims 1 and 5 of plaintiff's patent No. 2,845,234 are valid and they are infringed by defendants' Models 65A, 94, 95 and 102 safety reels [The foregoing 71 findings and record references therein].

73. Every conclusion set forth in the conclusions of law which is deemed to be a finding of fact is hereby incorporated herein as a finding of fact.

APPENDIX I.
Plaintiff's Exhibits.

(Pages in Record Vol. III)			
<u>Ex.</u>	<u>Description</u>	<u>For Ident.</u>	<u>In Evid.</u>
27	Plaintiff's sales books	48	53
116	Movie film	1015	1054
117	Tube	1008	1054

No. 20510

IN THE

FEB 14 1967

United States Court of Appeals

FOR THE NINTH CIRCUIT

AEROTEC INDUSTRIES OF CALIFORNIA, a corporation,
AEROTEC INDUSTRIES, INC., a corporation, UNIVERSAL
OIL PRODUCTS COMPANY, a corporation,

Appellants,

vs.

PACIFIC SCIENTIFIC COMPANY, a corporation,

Appellee.

APPELLANTS' REPLY BRIEF.

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vs.

PACIFIC SCIENTIFIC COMPANY, a corporation,
Appellee.

APPELLANTS' REPLY BRIEF.

Plaintiff's voluminous Brief is an imposition on this Court (and Appellants) as it is an obvious attempt to divert Your Honors' attention from the basic and most important facts necessary to fairly and correctly determine this Appeal. In addition, Plaintiff uses irrelevant arguments, misrepresentations of fact and law, innuendoes and half-truths as substitutes for an open, fair and correct presentation of the evidence and law for Your Honors to consider.

In the interest of conserving the time of this Court, within the limited space available herein, Appellants will answer Plaintiff's Brief by setting forth some of the more important facts Plaintiff **did not controvert** in Appellants' Opening Brief, and also attempt to point out the most flagrant errors and misrepresentations in Plaintiff's Brief.

Plaintiff did not (and could not) refute or deny the following facts set forth in Appellants' Opening Brief:

- (a) that the four claims in issue of the two patents in suit require four elements:
 - (1) vehicle;
 - (2) safety device on the vehicle;
 - (3) cable; and
 - (4) object (p. 3 and Chart 1, p. 30 of Appellants' Op. Br.);
- (b) that this **same combination** of four elements is shown in the prior art patents such as Nordmark, Geohegan and Ham (Chart 1, p. 30 of Appellants' Opening Brief);
- (c) that patent '233 in suit teaches that **"objects other than human bodies, such as for example, freight, handling and the like"** (Ex. 1, Col. 7, lines 12-15) may be used to actuate the safety device which is element No. 2 in the combination set forth above;
- (d) that the **"object"** in the combination of elements set forth above may be a **man** (Nordmark or Geohegan prior art patents), an **occupant** (term used in claims in issue), **woman**, **chimpanzee** (admitted by Plaintiff's co-inventor Pfankuch, R. Vol. III pp. 297-98), **freight** (patent '223 in suit) or a **trolley pole** (Ham prior art patent);
- (e) that a **"human body is not needed"** to actuate the safety device in the **old combination of elements** set forth in Chart 1 opposite page 30 in Appellants' Opening Brief;
- (f) that objects **"other than human bodies"** will operate the safety devices in the patents in

suit or the safety device in the prior art patents to Ham (Appellants' Op. Br. p. 7);

- (g) that the safety device in the claimed combination of elements **"does not discriminate as to who or what applied the effective force"** (Appellants' Op. Br. p. 6);
- (h) that the Trial Court **ignored** the teachings of patent '233 in suit and refused to add a finding correctly quoting the patent — "objects other than human bodies" could be used — (Appellants' Op. Br. p. 6);
- (i) that the "equivalency of an inanimate object and a man to cause actuation is conceded by patent '233 in suit (Appellants' Op. Br. p. 11), and
- (j) that the device in the prior art patent to Ham (Ex. D) is a safety apparatus which is the title of the patents in suit.

In the view of these **uncontroverted** facts and regardless of all other arguments between the parties and differences of opinion between the witnesses, this Court should be compelled to find the claims in issue of the patents in suit invalid.

Since the co-inventors, Messrs. Pfankuch and Wrighton, of patent '233 taught that any object (man, freight, chimpanzee, trolley pole) could be used to actuate the safety device included in the claims in issue (and Plaintiff does not deny that fact), then it is obvious that the four claims in issue are directly readable on the Ham, Burdon or Ricketts patents (Ex. D) as graphically set forth in Exs. I to T and Appendix C, pages 1 and 2 in Appellants' Opening Brief. By merely changing the word "**oc-**

cupant” to an **object** or **freight** or **trolley pole** in each of the four claims in issue, it becomes obvious that the claims are invalid and the Trial Court erred.

Your Honors should now be fully aware of how Plaintiff argues that the claims in issue distinguish over the prior art as set forth on page 5 of Plaintiff’s Brief. Whenever the word “occupant” is used in conjunction with an element in the patent claims, then Plaintiff contends such element is not found in the prior art patents. **Change “occupant” to “object”** and the claims are fully met.

PLAINTIFF’S ALLEGED INVENTION IS IN A PHRASE NOT A MECHANICAL DEVICE.

Defendants have consistently maintained that Plaintiff concocted the meaningless phrase of “man-sensitive” in order to confuse the Trial Court and to attempt to distinguish the patents in suit from the prior art.

It is well settled that an invention can only be found in a mechanical device and not in an idea or phrase.

An idea, phrase, principle or concept is not patentable.

Kemart Corp. v. Printing Arts Research Laboratories, 201 F. 2d 624, 632 (C.A. 9, 1953);

Locw’s Drive-In Theatres, Inc. v. Park-In Theatres Inc., 174 F. 2d 547, 551 (C.A. 1, 1949).

“ . . . It is the means for carrying out the idea that is patentable.”

Kruger v. Whitehead, 153 F. 2d 238, 239 (C.C.A. 9, 1946) cert. denied 332 U.S. 774.

Plaintiff has now admitted in its Brief that “The phrase ‘man-sensitive safety apparatus’ aptly describes plaintiff’s invention and distinguishes it over the prior

art vehicle-sensitive apparatus. The invention is not merely a cable locking mechanism as asserted by defendants.” (Br. for Plaintiff-Appellee, p. 17).

Therefore, Plaintiff now admits that its invention is in the phrase “man-sensitive” rather than in a novel device which produces a new and surprising result as required by the patent laws and cases which have interpreted such laws. Plaintiff’s sales department obviously may use the term “man-sensitive” as a crutch to sell safety devices but such phrase cannot be considered an invention. The Trial Court’s Judgment must be reversed.

NO NEW OR SURPRISING RESULT IS FOUND IN PLAINTIFF’S SAFETY DE- VICES.

As required by the U. S. Supreme Court, a valid patent must disclose a device which produces a new or surprising result.

Graham v. John Deere Company of Kansas City,
383 U.S. 1 (1966);

*Great A & P Tea Co. v. Supermarket Equip-
ment Corp.*, 340 U.S. 147 (1950).

The **surprising result** found by the Trial Court for the patented safety devices in this suit was in **locking a man in his seat** (Find. 63, R. pp. 939-40).

However, **locking a man in his seat** is old and well-known as taught by the old safety devices in Nordmark ’693 and Geohegan ’653 (Ex. D) and as further shown on Chart 1 opposite page 30 in Appellants’ Opening Brief. In both the Nordmark and Geohegan safety devices, the purpose and result was to

lock a cable against paying out and to hold a man from further movement which are the same purposes and results for the safety devices of the patents in suit.

Therefore, the required test of invention for the patented safety devices is not met and it is clear the Trial Court erred in finding the claims in issue of the patents in suit valid.

The Plaintiff in its Brief attempts to bring the present case under the umbrella of *United States v. Adams*, 383 U.S. 39. A careful reading of the *Adams* case will clearly disprove Plaintiff's erroneous statement that the facts here are similar to those present in the *Adams* case. Most important, Plaintiff fails to point out to Your Honors that in the *Adams* case, the defendant—U. S. government—admitted "that the Adams' battery 'wholly unexpectedly' has shown 'certain valuable advantages over other batteries' ". In the *Adams* case, there **was** a new or unexpected result which is **not** found and is certainly **not** admitted by the Defendants in this case.

COMBINATION OF ELEMENTS IN PATENTS IN SUIT IS OLD.

Plaintiff has conceded that the four elements claimed in the patents in suit are old and are shown in the Nordmark and Geohegan patents as set forth on Chart 1, opposite page 30 in Appellants' Opening Brief.

Plaintiff **did not invent** the combination of a vehicle, a safety device, cable having one end attached to the safety device, an object or man attached to the other end of the cable whereby the device functions to hold or lock a man in his seat, as

this combination is shown to be old in the Nordmark and Geohegan prior patents.

If Plaintiff's improvement in this old combination of elements was in the safety device, then the claims in suit are obviously invalid.

“ . . . and the improvement of one part of an old combination gives no right to claim that improvement in combination with other old parts which perform no new function in the combination.”

Lincoln Co. v. Stewart-Warner Corp., 303 U.S. 545, 549-50 (1937).

THE CLAIMED COMBINATION OF ELEMENTS WAS OBVIOUS.

Plaintiff attempts to rely on the biased testimony of its own employees (particularly its Chief Engineer, Glauser) to show the combination of elements set forth in the claims in suit would not have been obvious to one skilled in the art.

It is immaterial what Plaintiff's biased witnesses believed at the time of trial. These witnesses were **never** asked whether it would be obvious, **with the prior art patents before them**, to substitute an inertia-operated safety device as shown in the Ham prior art patent for the safety device used in the combination of elements shown to be old in the Nordmark or Geohegan patents prior to the filing in the U.S. Patent Office of the patents in Suit. This is the true test of obviousness under 35 U.S.C. §103 and *Graham v. John Deere Co.*, 383 U.S. 1.

A skilled mechanic with these prior art patents before him would find it not only obvious but the nor-

mal and expected substitution to make if he desired to obtain a combination of elements as taught by Nordmark or Geohegan with a safety device which was responsive to the abnormal movement on the cable caused by an object, *i.e.* trolley pole, freight, or man. Defendants' expert Gabriel clearly testified that this was an obvious combination (R. Vol. III, pp. 1555-57).

In accordance with the conditions of patentability and non-obviousness as set forth in 35 U.S.C. §103 and as interpreted by the U.S. Supreme Court in *Graham v. John Deere Co.*, 383 U.S. 1, 86 S. Ct. 694, Plaintiff is not entitled to deprive the public of the right to freely use such old safety devices.

It was uniformly admitted by Plaintiff's witnesses, Pfankuch (co-inventor), Wrighton (co-inventor) and Henrikson, and confirmed by Defendants' witnesses, Gabriel and Swedlow, that the safety devices of the patents in suit would operate and work if installed on trolleys (R. Vol. III, pp. 231, 299, 363-65, 1556-57, 1507). The fact that the inventors did not make a search to avail themselves ". . . of knowledge stored in the Patent Office and readily available by the simple expedient of conducting a patent search." does not negate the test of obviousness as required by 35 U.S.C. §103 and *Graham v. John Deere Co.*, *supra*.

If the Plaintiff's co-inventors had known of the inertia-operated safety devices in the Ham, Burdon or Ricketts patents, it would have been obvious for them to utilize the teachings of such patents **particularly in view of their own admissions subsequently that "objects other than human bodies" were contemplated as being used to actuate the mechanical safety device in the patents in suit.**

MATTERS OF DEGREE ARE NOT PATENTABLE.

Plaintiff now argues in its Brief that the safety devices in the Ham, Burdon and Ricketts patents are heavy, large and bulky devices.

These are specious arguments and only relate to **matters of degree** as was admitted by Plaintiff's Chief Engineer, Glauser (R. Vol. III, pp. 1741-42) who agreed that a design engineer could make such changes.

"There is the old rule that one is not entitled to a patent who merely makes a change in form, proportion, or degree, by substantially the same means even though the changes he makes produce better results."

Kalich et al. v. Patterson Pacific Parchment Co.,
137 F. 2d 649 (C.A. 9).

Also see:

Talon, Inc. v. Union Slide Fastener, Inc., 266
F. 2d 731 (C.A. 9).

PLAINTIFF'S ALLEGED INVENTION— "MAN-SENSITIVE"—IS DIFFERENT OR NEW USE OF AN OLD DEVICE.

A classic example of how Plaintiff has attempted to divert Your Honors' attention from the basic issues of this case is Plaintiff's deliberate omission from its Brief (with the one exception of a sentence on p. 18) of any argument attempting to refute Defendants' position that Plaintiff's alleged invention (man-sensitive) is merely a **different or new use of the old safety device taught by Ham, Burdon or**

**HAM, BURDON AND RICKETTS PRIOR ART
PATENTS ARE MORE PERTINENT THAN
PATENTS CONSIDERED BY PATENT OF-
FICE.**

All of the pertinent prior art patents found, considered and cited by the Patent Office related to safety devices for use with cows and fire escapes, such devices **not being mounted on moving vehicles** nor being responsive to acceleration on the cable. On page 68 of Plaintiff's Brief, Plaintiff states: "However, the patents cited by the Patent Office are more pertinent than the trolley catcher patents and hence the presumption of validity is not affected."

This statement by Plaintiff is incorrect. Each of the patents to Ham, Burdon, and Ricketts show a **vehicle mounted** inertia-operated safety device responsive to abnormal acceleration on the cable by an object to cause a lock-up. **Not one patent considered by the Patent Office taught this combination of elements.**

No presumption of validity attaches to the patents in suit since these more pertinent prior art patents were never considered by the Patent Office.

Your Honors may therefore review this case with these new and more pertinent prior art patents **de novo** ignoring any presumption of validity.

PLAINTIFF'S ATTACK ON DEFENDANTS AND WITNESSES IS UNWARRANTED.

The unjustified attack by Plaintiff in its Brief on Defendants and their witnesses illustrates in what desperate straits Plaintiff finds itself after reading Appellants' Opening Brief.

Mr. Gabriel is a respected member of the California Bar and has practical experience in mechanical devices as well as in patent law. Mr. Swedlow, at the time of trial, was only months away from receiving his Doctorate degree in Engineering from California Institute of Technology and had a great deal of practical engineering experience.

Neither of these two witnesses worked for Defendants prior to the Trial, at which time their opinions were given with no strings attached to Defendants subsequent to the Trial.

On the other hand, Plaintiff's main witnesses were salaried employees of Plaintiff, prior, during and subsequent to the Trial.

Therefore, greater credibility must be given to Defendants' witnesses than Plaintiff's salaried employees.

Plaintiff raises an irrelevant issue as to the number of witnesses Defendants produced at the Trial. Plaintiff **fails** to point out to Your Honors that Defendants subpoenaed at the time of Trial Messrs. Pfankuch, Wrighton and Lutrell as their own witnesses (R. Vol. III, pp. 5 and 6) and further produced Messrs. Lautier and Spielman for the taking of their depositions by Plaintiff prior to the Trial. The depositions of Defendants' witnesses Lautier and Spielman were introduced into evidence as Exhibits 133 and 134. Plaintiff was

given full opportunity to question Defendants' witnesses, Lautier and Spielman, who had knowledge of the development of Defendants' device and which is set forth in Exhibits 133 and 134, part of the record on appeal. Since such witnesses resided and worked in Connecticut, there was no further need for their presence at the Trial as their depositions were introduced into evidence.

Defendants will not attempt to refute the many other misrepresentations and erroneous statements as to fact and law made by Plaintiff. In most instances the same tactics by Plaintiff were employed in the Trial Court.

Defendants clearly pointed out Plaintiff's misrepresentations in their Brief After Trial and refer Your Honors to Vol. Two-C, pages 800-807 of the record which is set forth herein at the end of this Brief as Appendix D. Defendants point out at least thirteen errors or misrepresentations of fact and law by Plaintiff (see Appx. D) which apply equally as well in answering Plaintiff's Brief at this time, particularly as to who was the inventor of patent '234; facts and law on file wrapper estoppel; the attack on Defendants' witnesses; and royalties used for commercial success.

NO EVIDENCE OF COPYING BY DEFENDANT.

Plaintiff has made many misrepresentations in its Brief that Defendants have copied Plaintiff's device. **There is no evidence nor even a finding of fact to support such misrepresentation.** During the depositions of Messrs. Lautier and Spielman (who designed Defendants' device) it was clearly established that **Defendants had never seen the internal construction of Plaintiff's device.** See pages 56-57 of

Lautier's testimony (Ex. 133) and page 18 of Spielman's testimony (Ex. 134).

Your Honors need only to compare Defendants' and Plaintiff's devices as shown on pages 1, 2 and 3 of Appendix C in Appellants' Opening Brief to be convinced that there was no copying.

The evidence establishes that there was no copying. Plaintiff's own witness, Rischard, admitted that Plaintiff's and Defendants' devices **"don't look alike"**. (Vol. III, p. 263) The Trial Court did not have a finding on copying even though the findings were prepared by Plaintiff's counsel who now misrepresents there was copying by Defendants. This is another example of the diversionary tactics employed by Plaintiff in its Brief.

DEFENDANTS' DEVICE IS NOT AN INFRINGEMENT.

At the time of Trial, Plaintiff did not introduce into evidence any claim charts which could be attacked by Defendants. Plaintiff now presents to this Court Claim Charts (App. G) **which are not in evidence**. The only reason for the **"No"** on such Charts (App. G) is because the word **"occupant"** was used in the claims. **By changing the word "occupant" to "object", the claims are fully met** (Exhs. U to X).

Plaintiff fails to answer Defendants' argument as to non-infringement on pages 47-49 of Appellants' Brief. Each claim in issue requires (1) a reel, (2) a locking pawl or means, and (3) an inertia member (separate). These are three separate elements. Exhibits U to X clearly illustrate that **Defendants' de-**

vice does not have an inertia member (the blue colored element).

The file histories of the patents in suit estop Plaintiff from reading three elements in the claims in issue on only two elements in Defendants' device. There is no difference of opinion between the witnesses as to whether a file wrapper estoppel exists as Mr. Glauser, Plaintiff's Chief Engineer, had no knowledge of patent procedures (R. Vol. III, pp. 526, 982, and 990).

Plaintiff is attempting to further mislead Your Honors by stating on page 43 of its Brief that:

"These claims were amended **slightly** by a paper filed in the Patent Office on May 10, 1956 (See p. 73, Ex. 134)." (Emphasis added.)

This statement is an attempt by Plaintiff to refute Defendants' arguments as to file wrapper estoppel as set forth on pages 53 through 55 of Appellants' Opening Brief.

The **slight** amendment that Plaintiff refers to was where Plaintiff added the **separate inertia member** to claims 23 and 25 which issued as claims 7 and 9 of patent '233 in suit. The **slight** amendment referred to by Plaintiff created a **file wrapper estoppel** which now estops Plaintiff from contending that Defendants' device is an infringement because **Defendants' device has no inertia element separate from the reel and the locking pawl** (see Exs. U to X and note that Defendants' device illustrated therein has no inertia element colored blue).

Plaintiff refused to cross-examine Mr. Gabriel (Defendants' patent expert) on his testimony relating to file wrapper estoppel. Plaintiff's reason is that these

are matters of law and not fact. What actually occurred in the Patent Office and what was added by amendment are questions of fact which have not been refuted by any witness for Plaintiff. Mr. Gabriel's testimony stands uncontroverted.

Plaintiff attempts to minimize Mr. Gabriel's expert testimony by quoting on page 23 of its Brief a paragraph from a book entitled "Patent Law Annual" published in 1966 by Matthew Bender & Company, on page 128 thereof. However, the paragraph following the paragraph quoted by Plaintiff in the "Patent Law Annual" is as follows including the footnotes:

"Because of these factors, it is inadvisable in the ordinary case to use a patent attorney, or one whose only or primary claim to expert knowledge is in the area of patent law. However, it should be noted that despite the danger that a court will consider opinion testimony from an attorney or 'patent' expert an invasion of its exclusive province, some judges are not at all jealous of their prerogatives and welcome the help of one who offers knowledge of the law of patents as well as a scientific or technical background. For example, Judge Brown of the Fifth Circuit in the celebrated case of *Bros, Inc. v. W. E. Grace Manufacturing Co.*⁸ referred to the patentee's 'engineer-lawyer-expert witness' and his 'analysis, element by element, carefully articulated and graphically portrayed' which demonstrated that the device of the patent in suit was not disclosed by a publication which was asserted as a statutory bar.⁸ Of similar interest is the

⁸351 F.2d 208 (5th Cir. 1965)

comment in the case of Jeoffroy Manufacturing, Inc. v. Graham.⁹ to the effect that the 'force which might otherwise attach to the eminent trial court's conclusion as to invalidity, insofar as based on testimony by Jeoffroy's witness, Witherspoon, . . . seems to us considerably weakened by the fact that this witness was admittedly not a patent expert, but only an engineer testifying for his first time in a patent suit.¹⁰

⁹219 F.2d 511 (5th Cir. 1955).

¹⁰While we recognize that the weight to be accorded the testimony of this witness was primarily for the trial court, we still believe it is an appropriate fact for our consideration in reviewing the trial court's finding of invalidity in what appears to us a close case."

If Your Honors find these claims in issue valid, then Defendants' device must be found not to be an infringement in view of the limitations in the claims, the file wrapper estoppel, and the difference in mode of operation between the devices.

CONCLUSION.

Plaintiff has attempted to convince Your Honors that in effect an aircraft could not fly without one of the patented safety devices being used. The safety device of the patents in suit is merely one of thousands of pieces of hardware that may be used on an aircraft, any one of which being dispensable.

These safety devices are only installed on the crew seats and not on passenger seats. In most instances, the pilot refuses to wear the harness straps attached to the safety device because they do not allow him the freedom of movement he desires. Therefore, such safety

device is not operable. Despite Plaintiff's imaginative but exaggerated arguments, the patented safety device is merely a mechanical safety device for locking a cable when abnormal acceleration is encountered by an object attached to the cable or straps.

Your Honors should not be diverted from the basic issues of invalidity and non-infringement by the diversionary Brief filed by Plaintiff.

Plaintiff's complete failure in answering Defendants' basic arguments is indicative of the weakness of Plaintiff's alleged invention **which is in a phrase, namely "man-sensitive"**. Should additional patents be granted for the old safety devices shown in the Ham, Burdon or Ricketts patents if they were used with new or different objects such as a chimpanzee, freight or any other object capable of accelerating a cable?

Plaintiff has merely used an old safety device for a different use (man-sensitive) but this is not an invention.

The claims in issue are no more than the sum of the prior art freely available to all persons who had knowledge of such prior art.

The District Court was misled by a concocted phrase, **"man-sensitive"**, and failed to make complete and detailed findings as required by the Rules and this Court of a new result, of the mechanical differences not found in the prior art, and of what patent '233 taught as to use of the safety devices with **"objects other than human bodies"**. Would the Trial Court have held the patents in suit valid if the safety devices were **"freight-sensitive"** as taught by patent

'233? By failing to amend the findings, the Trial Court was closing his mind to the true facts.

The Trial Court's conclusions of validity and infringement of the claims in issue of patents '233 and '234 should be reversed with costs.

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Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

WILLIAM POMS



APPENDIX D.

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PLAINTIFF'S MISREPRESENTATIONS OF FACTS AND LAW

At the trial and in "Plaintiff's Memorandum," plaintiff's counsel have deliberately and falsely represented both facts and law to this Court in direct violation of their duty as an Officer of this Court.

These misrepresentations are as follows:

1. During final argument, plaintiff's counsel deliberately and falsely misrepresented to this Court ". . . that **both** of the inventors of the '234 patent, Messrs. Cushman and Wrighton, **constructed a model** which is very, very similar to the device in suit. I hold before the Court here Exhibit 64.

"This device was **made** and seen by **both** the inventors of the '234 patent long before that patent was filed in the Patent Office." (Prout, R. 1768)

This statement is proven to be **false** by Mr. Prout's own direct-examination of Mr. Wrighton:

"Q And who made the device?

"A **Mr. Cushman.**" (R. 337)

"Q Did Mr. Cushman, come up with this device completely independently of your work on the '234 device?

"A Yes, that was an **independent** effort on Mr. Cushman's part." (R. 338)

It is obvious that plaintiff's counsel was **in bad faith attempting** to overcome defendants' Exhibits AI and AJ and Mr. Gabriel's testimony that the '234 patent was invalid because the claims were covered

by the Cushman model Exhibit 64; also see pages 29 to 32 of this brief.

On page 1793 of the trial record, defendants' counsel called this Court's attention to this **false misrepresentation** by plaintiff's counsel and said: [800]

"That is a misrepresentation, your Honor, and as an officer of this Court he ought to explain it." (R. 1793)

The **failure** of plaintiff's counsel to stand up and explain his false statement is **proof of his intent to deceive** this Court.

2. In final argument (R. 1837, ls. 1-8) plaintiff's counsel made a completely false statement as to what is not file wrapper estoppel. A reading of any cases on file wrapper estoppel, such as those set forth on pages 50 and 53 of this brief, will prove the falsity of this statement.

3. On page 2 of "Plaintiff's Memorandum," plaintiff falsely represents that the "witnesses received only such testimony as defendants' lawyers elected to turn over to them" (ls. 15-16) and that "they were willing to testify in accordance with the desires of defendants' lawyers" (ls. 23-25).

These false and irresponsible statements **cannot be supported by any facts, testimony or the record.**

Defendants' experts are both reputable men in their respective fields and sat through the entire trial. Their testimony was based on their own independent conclusions in view of all of the evidence and testimony introduced at trial.

4. Throughout "Plaintiff's Memorandum," plaintiff misrepresents that defendants deliberately copied the device in the patents in suit.

As set forth hereinabove, defendants' device is entirely different in elements, function and operation than the patented device. **There was not a scintilla of evidence or testimony as to such copying.**

Plaintiff's own witness Rischard even admitted on cross-examination, "No. They don't look alike." [801]

5. Plaintiff misrepresents that the early Cushman model Exhibit 64 was **incomplete** ("Memorandum," page 21, line 9), thus implying it was inoperative.

However, on direct-examination Mr. Glauser **successfully operated** Exhibit 64 for plaintiff's counsel (R. 729) and on cross-examination successfully operated this model two more times (R. 816-17).

6. Plaintiff misrepresents that there is no statement in the file history that the locking means is solely the pawl ("Memorandum," pg. 37, ls. 23-24).

The file history of the '233 patent (Exh. 131) definitely shows that plaintiff interpreted the locking means in the claims to be "pawl 58" (Exh. 131, pgs. 58, 70, and 71).

7. Plaintiff attacks Mr. Gabriel ("Memorandum," pgs. 39-41) and falsely states that he "ignored all settled laws" on file wrapper estoppel and relies on *Taylor-Reed Corp. v. Mennen Products, Inc.*, 324 F. 2d 108, and *D and H Electric Co. v. M. Stephens Mfg. Inc.*, 233 F.2d 879, to support the unwarranted and false attack on Mr. Gabriel, a respected member of this Bar for many years.

In the first case, *Taylor-Reed Corp.*, plaintiff's attorney attempts to mislead this Court by merely quoting the passages on pages 40 and 41 of Plaintiff's Memorandum without revealing to this Court what the court held and the other facts of this case. The court in *Taylor-Reed Corp.* actually found that file wrapper estoppel existed and reversed the lower court and held the patent not to be infringed, which supports Mr. Gabriel's position.

The court in *Taylor-Reed* also said:

"So, in this case, where the plaintiff seeks to broaden its claim by dropping the limiting elements the patentee introduced in order to overcome the rejection [802] of prior claims as invalid under the cited prior art, such amended claim must be strictly construed against the inventor and it may not be given the larger scope claimed prior to amendment by construction or resort to the doctrine of equivalents."

The *Taylor-Reed Corp.* case fully supports Mr. Gabriel and his testimony that the separate inertia element was required to be added to claims 7 and 9 (23 and 25 in the application, Exh. 131) of patent '233 in order to overcome the Sharpe patent. Plaintiff misapplies and misrepresents the effect of *Taylor-Reed Corp.*, which supports rather than contradicts Mr. Gabriel's expert opinion and testimony.

Plaintiff on page 41 of its "Memorandum" also attempts to rely on the *D and H Electric* case in attacking Mr. Gabriel. Here, again, the Ninth Circuit

Court of Appeals held the patent not to be infringed because of file wrapper estoppel and the court said:

“Claims of a patent must be interpreted with reference to the history content of the file wrapper, which is nothing more than a written record of the preliminary negotiations between the applicant and the Patent Office for a patent monopoly contract.”

Mr. Gabriel did nothing more than what C.A. 9 has held in the *D and H Electric* case and in cases prior and subsequent thereto. Mr. Gabriel merely interpreted the entire file history, the amendments to the claims and the interpretations and admissions by the applicant (plaintiff here) in order to find the file wrapper estoppel.

Plaintiff's counsel has falsely represented that Mr. Gabriel does not know what the law is on file wrapper estoppel and by relying on *Taylor-Reed Corp., supra*, and *D and H Electric, supra*, has actually supported Mr. Gabriel's testimony. Mr. [803] Gabriel's expert testimony on file wrapper estoppel in this case is supported by one of the leading cases in the Ninth Circuit, *Moon v. Cabot Shops, Inc.*, 270 F. 2d 539 (1959), wherein the court held, and it has been followed in many cases since:

“... Claims of a patent must be construed not only in the light of the specification and drawings, but also with reference to the file wrapper history. *Whiteman v. Matthews*, 9 Cir., 216 F.2d 712, 715, 104 USPQ 83, 85. That is, the claims of the patent must always be explained by and read in connection with the specifications and in the light of definitions and admissions made by the applicant in the proceedings in the Patent Office.”

This unwarranted attack on Mr. Gabriel's testimony of the facts and law on file wrapper estoppel is inexcusable. Plaintiff misapplies the two cases he relies on, such cases actually supporting Mr. Gabriel's opinion and testimony.

8. On pages 41 and 42 of plaintiff's "Memorandum," plaintiff's counsel again without foundation attacks Mr. Gabriel's legal testimony and opinion as to whether the file wrapper estoppel in the '233 patent can be carried over into the '234 patent.

On pages 55, 56 and 57 of this brief, it was distinctly pointed out how plaintiff's counsel misrepresented to this Court the effect and holding in the *Temco Electric M. Co. v. Apco Mfg. Co.*, 275 U.S. 317, and *Bechik v. Handy Mattress Accessories Corp.*, 45 F.Supp. 73, cases. These two cases do not prove that Mr. Gabriel was incorrect in his testimony that file wrapper estoppel in the first patent should be carried over into the second patent. As pointed out at pages 55 to 57 of this brief, the U. S. Supreme Court in the *Temco* case had an incomplete record with which to decide this issue. In the *Bechik* case, the court could not find a file wrapper estoppel in the first case and therefore could not, [804] of course, carry it over into the second patent. However, there is a definite inference that this file wrapper estoppel would have been carried over if a file wrapper estoppel had been found in the first patent.

Therefore, the *Bechik* case actually supports Mr. Gabriel's testimony and certainly does not support the unwarranted attack on Mr. Gabriel as the case was misrepresented to this Court by plaintiff's counsel.

9. Plaintiff misrepresents on page 47 of its "Memorandum" that it has received approximately \$50,000 for sales of safety apparatus under foreign license agreements. As pointed out on page 41 of this brief, plaintiff's witnesses **could not divide** the royalties under the foreign license from the know-how and technical services required to be furnished by plaintiff in the sales of the safety apparatus.

10. Plaintiff attempts to mislead and misrepresent to this Court on pages 64 and 65 of its "Memorandum" that cords or ropes as disclosed in the Ham, Burdon and Ricketts patents are different and not the equivalents of a strap as allegedly used in the patents in suit.

The specification of the '233 patent (Exh. 1) clearly emphasizes this misrepresentation:

"... In the subsequent claims, it is intended that where the term 'cable' is used it is meant to encompass cables, and equivalents such as, for example, wire, rope, strap, etc." (Col. 7, ls. 19-22)

11. Plaintiff has cited a 1933 case, *H. K. Regar and Sons v. Scott & Williams, Inc.*, 63 F.2d 229, and 1927 case, *H. C. White Co. v. Morton E. Converse & Son*, 20 F.2d 311 (Memorandum pgs. 68-69) to support its position that new use of an old device is invention. These cases are misleading. [805]

Both of these cases are very old, and the law followed universally throughout the circuits today is as set forth on pages 18 to 20 of this brief to the effect that **a new use by plaintiff of an old safety device as disclosed by Ham, Burdon and Ricketts is not invention.**

12. Plaintiff on page 85 of its "Memorandum" alleges bad faith on the part of defendants in refusing to add Universal Oil Products Company in this action.

Such a statement from plaintiff and its counsel is **without justification and clearly shows what desperate straits plaintiff is in to resort to this misrepresentation.**

At the close of defendants' final argument on pages 1832 and 1833 of the trial record, it clearly appears that defendants' counsel **voluntarily** obtained authorization from Universal Oil Products to be added as a party defendant even though plaintiff had only jurisdiction over two non-existent defendants. Plaintiff's counsel knew of the relationship between Universal Oil Products and the other two defendants months before the trial started and **did nothing.**

Your Honor, recognizing that defendants' counsel was attempting to expedite this issue and prevent the filing of unnecessary motions, said:

"They concede that point, so you don't need to go into that." (R. 1833)

If there is any bad faith involved on this issue, it must be on the part of plaintiff and its counsel.

13. Plaintiff misrepresents in its "Memorandum After Trial" that defendants "did not produce a single witness who had direct knowledge of the facts" (pg. 2).

Defendants had subpoenaed Messrs. Pfankuch, Wrighton and Luttrell, who appeared on the first day of trial in answer to these subpoenas and who were excused by your Honor at the request of defendants (R. 5 and 6). [806]

These three witnesses subpoenaed by defendants did have direct knowledge of the facts, which completely contradicts the statements made by plaintiff.

In addition, plaintiff throughout its Memorandum After Trial has attacked defendants' other witnesses, Messrs. Gabriel and Swedlow, as being biased and paid experts. It should be noted by your Honor that Messrs. Gabriel and Swedlow are not employees of defendants but are independent experts who rendered their unbiased opinions based on their knowledge of all of the facts and after being in court during the entire trial.

In contrast, plaintiff's primary witnesses were all employees of the plaintiff company. In considering the credibility of all of the witnesses that testified during trial, it is obvious that plaintiff's witnesses would be more biased than Messrs. Gabriel and Swedlow, who were not employees of defendants and who are not obligated in the future to defendants.

There are other misstatements and scurrilous attacks on defendants, their counsel and witnesses, which will be ignored as they will unnecessarily prolong the Court's determination of the true issues of invalidity and non-infringement of the patents in suit. [807]

